



Date of Notice: Friday, September 2, 2016

PUBLIC NOTICE

A PUBLIC MEETING OF THE GOVERNING BOARD OF THE CALIFORNIA EARTHQUAKE AUTHORITY

NOTICE IS HEREBY GIVEN that the Governing Board of the California Earthquake Authority ("CEA") will meet in Sacramento, California. Pursuant to California Insurance Code §10089.7, subdivision (j), the Bagley-Keene Open Meeting Act applies generally to meetings of the Board, and the meeting is open to the public—public participation, comments, and questions will be welcome for each agenda item. All items are appropriate for action if the Governing Board wishes to take action. Agenda items may be taken out of order.

LOCATION: California Department of Food and Agriculture*
Auditorium, Room 130
1220 N Street
Sacramento, California

DATE: Wednesday, September 14, 2016

TIME: 1:00 p.m.

* Because of facility limitations at this location, this Governing Board meeting will not be available as audio or video on the Internet.

AGENDA:

1. Call to order and member roll call:

Governor
Treasurer
Insurance Commissioner
Speaker of the Assembly
Chair of the Senate Rules Committee

Establishment of a quorum

2. Consideration and approval of the minutes of the June 15, 2016, CEA Governing Board meeting.
3. Executive Report by Chief Executive Officer Glenn Pomeroy, which will include an update for the Board on legislative activities of interest to the CEA.
4. Chief Financial Officer Tim Richison will present to the Board the CEA financial report.
5. Mr. Richison will seek Board approval of a proposed contract with an investment management firm, competitively selected, to manage the CEA Primary Fund.
6. Mr. Richison will request Board approval to renew and extend the contract for services of the CEA's present independent financial advisor, Raymond James & Co, for a term of three years.
7. Chief Communications Officer Chris Nance will brief the Governing Board on advertising and marketing contract initiatives now underway, and seek Board approval of certain interim (2016) advertising/marketing-related contracts.
8. Chief Mitigation Officer Janiele Maffei will propose for Board approval, a three-tiered CEA research program, focused on taking effective action to reduce the risk of earthquake damage and loss.
9. Ms. Maffei will update the Board on CEA-mitigation-program projects.
10. Ms. Maffei will update the Board on the CEA's Cripple Wall Performance Effects research project.
11. Ms. Maffei will update the Board on the California Residential Mitigation Program's incentive program (called Earthquake Brace + Bolt).
12. Ms. Maffei will update the Board on progress of the "CEA Brace + Bolt" initiative, which will create a CRMP-style incentive program for selected CEA policyholders.
13. Chief Information Officer Todd Coombes will report to the Board regarding 2016 CEA information technology (IT) initiatives and the IT Project Portfolio.
14. Mr. Coombes will update the Board on progress toward centralizing processing of CEA insurance policies.
15. Mr. Pomeroy will update the Board on CEA enterprise-risk-management-program planning and introduce Laurie Johnson, who will serve as Enterprise & Strategic Risk Advisor and a member of the CEA executive team.
16. Mr. Pomeroy will update the Board on progress in implementing a *CEA Stakeholders Outreach* program.
17. Mr. Pomeroy will update the Board on progress in data collection and reporting that support the Metrics Project.
18. The Board will meet in closed session to discuss personnel matters and litigation matters, as permitted by California Government Code section 11126, subdivisions (a) and (e), respectively.

19. Public comment on matters that do not appear on this agenda and requests by the public that those matters be placed on a future agenda.

20. Adjournment.

For further information about this notice or its contents:

General Information:

Carlos Martinez
(916) 661-5549 (Direct)
Toll free: (877) 797-4300

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Sacramento, CA 95814
Toll free: (877) 797-4300

Media Contact:

Chris Nance
Chief Communications Officer
(916) 661-5521 (Direct)
cnance@calquake.com

To view this notice on the CEA website or to learn more about the CEA, please visit www.EarthquakeAuthority.com

Persons with disabilities may request special accommodations at this or any future Governing Board meeting or may request the accommodation necessary to receive agendas or materials the CEA prepares for its Board meetings.

Please contact Carlos Martinez by telephone, toll free, at (877) 797-4300 or by email at cmartinez@calquake.com. We would appreciate hearing from you at least five days before the meeting date to best allow us to meet your needs.

NOTE: You might have received this notice because your name, or that of your organization, appears on a public-notice list maintained by the California Earthquake Authority. If in the future you do not wish to receive public notices pertaining to the California Earthquake Authority, please send your request by email to cmartinez@calquake.com.



Draft Meeting Minutes are not available.

Please see CEA Governing Board Meeting
[Approved Minutes.](#)

Governing Board Memorandum

September 14, 2016

Agenda Item 3: Executive Report by Chief Executive Officer Glenn Pomeroy

Recommended Action: No action required—information only

Chief Executive Officer Glenn Pomeroy will present his Executive Report to the Board, which will include an update on legislative activities of interest to the CEA.



FINANCIAL REPORT

July 31, 2016

Financial Report Table of Contents

	Page
Financial Statements & Budgets	
Balance Sheet as of July 31, 2016	1
Statement of Revenues, Expenses and Changes in Net Position Year-To-Date July 31, 2016	2
Insurance Services Budgeted and Actual Expenditures for 2016 Budget Year as of July 31, 2016	3
Mitigation Budgeted and Actual Expenditures for 2016 Budget Year as of July 31, 2016	4
Annual Capital Accumulated from Premium as of December 31, 2015	5
Investments	
Annual Net Investment Income as of July 31, 2016	6
Investment Income as of July 31, 2016	6A
Investment Portfolio Distribution at Market Value CEA Liquidity & Primary Funds as of July 31, 2016	7
Investment Portfolio Distribution at Market Value Claim(s)-Paying Funds & Mitigation Fund as of July 31, 2016	8
Debt	
Schedule of Outstanding Debt 2006 Revenue Bond as of July 31, 2016	9
Schedule of Outstanding Debt 2014 Revenue Bond 2-year as of July 31, 2016	10
Schedule of Outstanding Debt 2014 Revenue Bond 3-year as of July 31, 2016	11
Schedule of Outstanding Debt 2014 Revenue Bond 5-year as of July 31, 2016	12
Claim-Paying Capacity	
Available Capital Report as of July 31, 2016	13
Claim-Paying Capacity as of July 31, 2016	14
Historical Claim-Paying Capacity (CPC) December 31, 1997 through December 31, 2005	15
Historical Claim-Paying Capacity (CPC) December 31, 2006 through July 31, 2016	16
Risk-Transfer Programs	
Risk-Transfer Program Summary as of July 31, 2016	17
Total Premium Risk-Transfer Program as of July 31, 2016	18
Annual Risk-Transfer Premium December 31, 1997 through December 31, 2004	19
Annual Risk-Transfer Premium December 31, 2005 through December 31, 2015	20
Annual Risk-Transfer Premium and Limit December 31, 1997 through December 31, 2004	21
Annual Risk-Transfer Premium and Limit December 31, 2005 through December 31, 2015	22

Note: See Fact Sheets for Policies In Force, Written Premiums, and Exposures.

Financial Statements & Budgets

California Earthquake Authority
Balance Sheet
as of July 31, 2016

Assets

Cash and investments:	
Cash and cash equivalents	\$ 41,302,545
Restricted cash and equivalents	23,401,941
Restricted investments	360,463,806
Investments	5,713,308,064
	<hr/>
Total cash and investments	6,138,476,356
Premiums receivable, net of allowance for doubtful accounts of \$8,526,416	68,042,486
Capital contributions receivable	-
Risk capital surcharge receivable	-
Interest receivable	19,040,720
Securities receivable	39,769,606
Restricted securities receivable	5,723,040
Prepaid reinsurance premium	22,455,322
Transformer reinsurance premium deposit	-
Prepaid transformer maintenance premium	233,434
Equipment, net	129,637
Other assets	7,926
	<hr/>
Total assets	<u>\$ 6,293,878,527</u>

Liabilities and Net Position

Unearned premiums	\$ 312,281,869
Accounts payable and accrued expenses	3,122,482
Payable to California Residential Mitigation Program	-
Accrued reinsurance premium expense	-
Loss and loss adjustment expense reserves	567,773
Securities payable	28,421,526
Revenue bond payable	310,000,000
Revenue bond interest payable	675,575
	<hr/>
Total liabilities	<u>655,069,225</u>

Net position:

Restricted, expendable	72,903,513
Unrestricted, participating insurer contributed capital	777,384,796
Unrestricted, State of California contributed capital	233,721,836
Unrestricted, all other remaining	4,554,799,157
	<hr/>
Total net position	5,638,809,302
	<hr/>
Total liabilities and net position	<u>\$ 6,293,878,527</u>

California Earthquake Authority
Statement of Revenues, Expenses and Changes in Net Position
Year-To-Date July 31, 2016

Underwriting income:	
Premiums written	\$ 365,876,708
Less premiums ceded - reinsurance	(112,783,486)
Less risk capital surcharge	-
	<hr/>
Net premiums written	253,093,222
	<hr/>
Change in unearned premiums	14,431,060
	<hr/>
Net premiums earned	267,524,282
	<hr/>
Expenses:	
Losses and loss adjustment expenses	362,757
Participating Insurer commissions	36,586,865
Participating Insurer operating costs	11,880,290
Reinsurance broker commissions	2,001,921
Pro forma premium taxes equivalent	8,603,528
Other underwriting expenses	20,819,228
	<hr/>
Total expenses	80,254,589
	<hr/>
Underwriting profit	187,269,693
Net investment income	148,471,627
Other income	232,228
Grant revenue	-
Financing expenses, net	(3,061,734)
Earthquake Loss Mitigation Fund expenses	(3,130,910)
Participating Insurer Contributed Capital	-
State of California premium tax contribution equivalent	8,603,528
	<hr/>
Increase in net position	338,384,432
Net position, beginning of year	5,300,424,870
Net position, end of year to date	<u><u>\$ 5,638,809,302</u></u>

CALIFORNIA EARTHQUAKE AUTHORITY
Insurance Services
Budgeted and Actual Expenditures
2016 Budget Year
as of July 31, 2016

	Approved 2016 Budget <u>1/1/2016</u>	Adjustments ^A	Augmentations	2016 Budget after Augmentations and Adjustments	Actual Expenditures	Augmented & Adjusted Approved Budget (d) vs. Actual Expenditures (e)	Percentage used of Augmented & Adjusted Approved 2016 Budget
Human Resources:							
Compensation and Benefits	\$ 21,323,212	\$ (1,049,819)	\$ -	\$ 20,273,393	\$ 11,199,878	\$ 9,073,515	55.24%
Travel	623,466	(92,250)	-	531,216	182,752	348,464	34.40%
Other	953,620	(294,212)	-	659,408	180,012	479,396	27.30%
Board Meeting	24,100	(8,100)	-	16,000	2,855	13,145	17.84%
Administration & Office	1,325,506	(49,623)	-	1,275,883	206,981	1,068,902	16.22%
EDP Hardware	325,300	-	-	325,300	218,879	106,421	67.29%
EDP Software	1,260,516	-	-	1,260,516	768,791	491,725	60.99%
Information Technology	1,802,155	-	-	1,802,155	1,289,175	512,980	71.54%
Telecommunications	265,364	(4,950)	-	260,414	121,898	138,516	46.81%
Rent/Lease	1,288,700	(1,420)	-	1,287,280	636,088	651,192	49.41%
Compliance	115,000	(50,000)	-	65,000	6,675	58,325	10.27%
Government Affairs	126,000	-	-	126,000	27,698	98,302	21.98%
Insurance	160,000	-	-	160,000	23,238	136,762	14.52%
Internal Audit	120,000	(60,000)	-	60,000	1,688	58,312	2.81%
Intervener Fees	-	-	-	-	-	-	0.00%
Other	53,000	14,000	-	67,000	14,111	52,889	21.06%
Regulatory Expenses	110,000	-	-	110,000	59,736	50,264	54.31%
Total Statutory Expenditures	\$ 29,875,939	\$ (1,596,374)	\$ -	\$ 28,279,565	\$ 14,940,455	\$ 13,339,110	52.83%
Audit Services	112,500	-	-	112,500	86,000	26,500	76.44%
Capital Market	9,277,995	(256,015)	-	9,021,980	5,491,469	3,530,511	60.87%
Claims	337,000	5,000	-	342,000	103,932	238,068	30.39%
Loans	-	-	-	-	-	-	0.00%
Grants ¹	-	-	12,000,000	12,000,000	-	12,000,000	0.00%
Investment Services	3,078,493	(98,043)	-	2,980,450	1,761,801	1,218,649	59.11%
Legal Services	7,790,420	(4,352,500)	-	3,437,920	453,957	2,983,963	13.20%
Loss-Modeling	1,039,500	-	-	1,039,500	207,500	832,000	19.96%
Marketing Services	13,710,200	(258,039)	-	13,452,161	2,951,697	10,500,464	21.94%
Producer Compensation	66,040,000	-	-	66,040,000	36,585,241	29,454,759	55.40%
Participating Insurer Operating Costs	24,763,000	-	-	24,763,000	12,507,307	12,255,693	50.51%
Seismic Related Research	100,000	(100,000)	-	-	-	-	0.00%
Engineering Related Research	1,000,000	(500,000)	-	500,000	8	499,992	0.00%
Risk Transfer	193,464,800	7,000,000	-	200,464,800	114,785,406	85,679,394	57.26%
Total Non-Statutory Expenditures	\$ 320,713,908	\$ 1,440,403	\$ 12,000,000	\$ 334,154,311	\$ 174,934,318	\$ 159,219,993	52.35%
Total Budget Expenditures	\$ 350,589,847	\$ (155,971)	\$ 12,000,000	\$ 362,433,876	\$ 189,874,773	\$ 172,559,103	52.39%

¹Augmentation to fund development of the CEA BB (pilot) program from March 16, 2016 Governing Board Meeting Agenda Item 4.

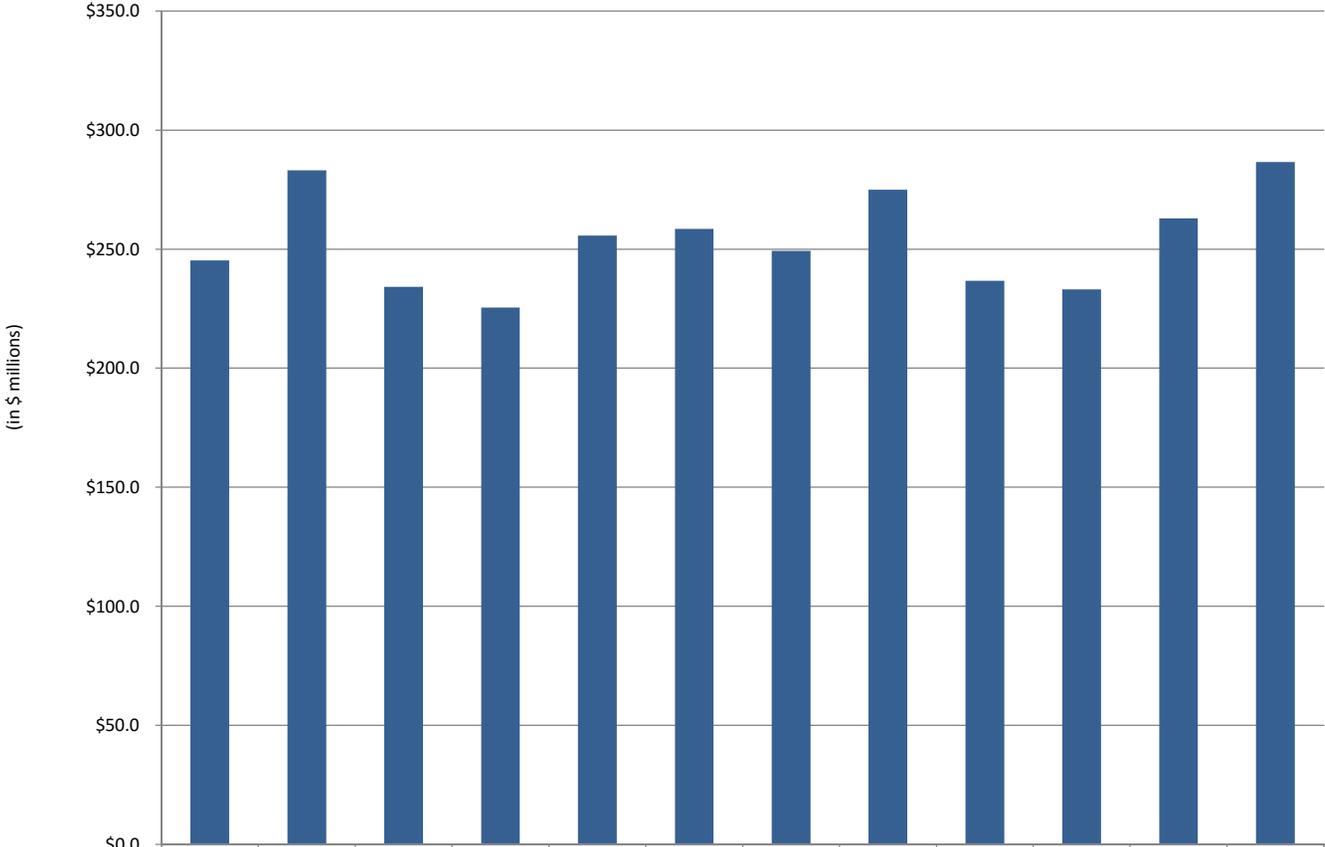
^A Adjustments to meet insurance services end of year projections.

CALIFORNIA EARTHQUAKE AUTHORITY
Mitigation
Budgeted Expenditures and Actual Expenditures
2016 Budget Year
as of July 31, 2016

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f) (f=d-e)	(g) (g=e/d)
	Approved 2016 Budget 1/1/2016	Adjustments^A	Augmentations	2016 Budget after Augmentations and Adjustments	Actual Expenditures	Augmented & Adjusted Approved Budget (d) vs. Actual Expenditures (e)	Percentage used of Augmented & Adjusted Approved 2016 Budget
Human Resources:							
Compensation and Benefits	\$ 1,039,631	\$ -	\$ -	\$ 1,039,631	\$ 597,709	\$ 441,922	57.49%
Travel	47,900	(3,700)	-	44,200	11,172	33,028	25.28%
Other	29,850	(3,800)	-	26,050	6,689	19,361	25.68%
Administration & Office	102,100	(57,700)	-	44,400	29,684	14,716	66.86%
Information Technology	700	-	-	700	260	440	37.14%
Telecommunications	14,000	-	-	14,000	6,235	7,765	44.54%
Rent/Lease	77,700	-	-	77,700	37,696	40,004	48.51%
Total Operating Expenditures	\$ 1,311,881	\$ (65,200)	\$ -	\$ 1,246,681	\$ 689,445	\$ 557,236	55.30%
Investment Services	11,400	-	-	11,400	5,863	5,537	51.43%
Legal Services	10,000	-	-	10,000	-	10,000	0.00%
Marketing	575,000	(222,000)	-	353,000	52,810	300,190	14.96%
Seismic - Related	-	-	-	-	-	-	0.00%
Engineering - Related	1,500,000	(900,000)	-	600,000	150,329	449,671	0.00%
Total Other Expenditures	\$ 2,096,400	\$ (1,122,000)	\$ -	\$ 974,400	\$ 209,002	\$ 765,398	0.00%
Total Expenditures	\$ 3,408,281	\$ (1,187,200)	\$ -	\$ 2,221,081	\$ 898,447	\$ 1,322,634	40.45%

^A Adjustments to meet mitigation services end of year projections.

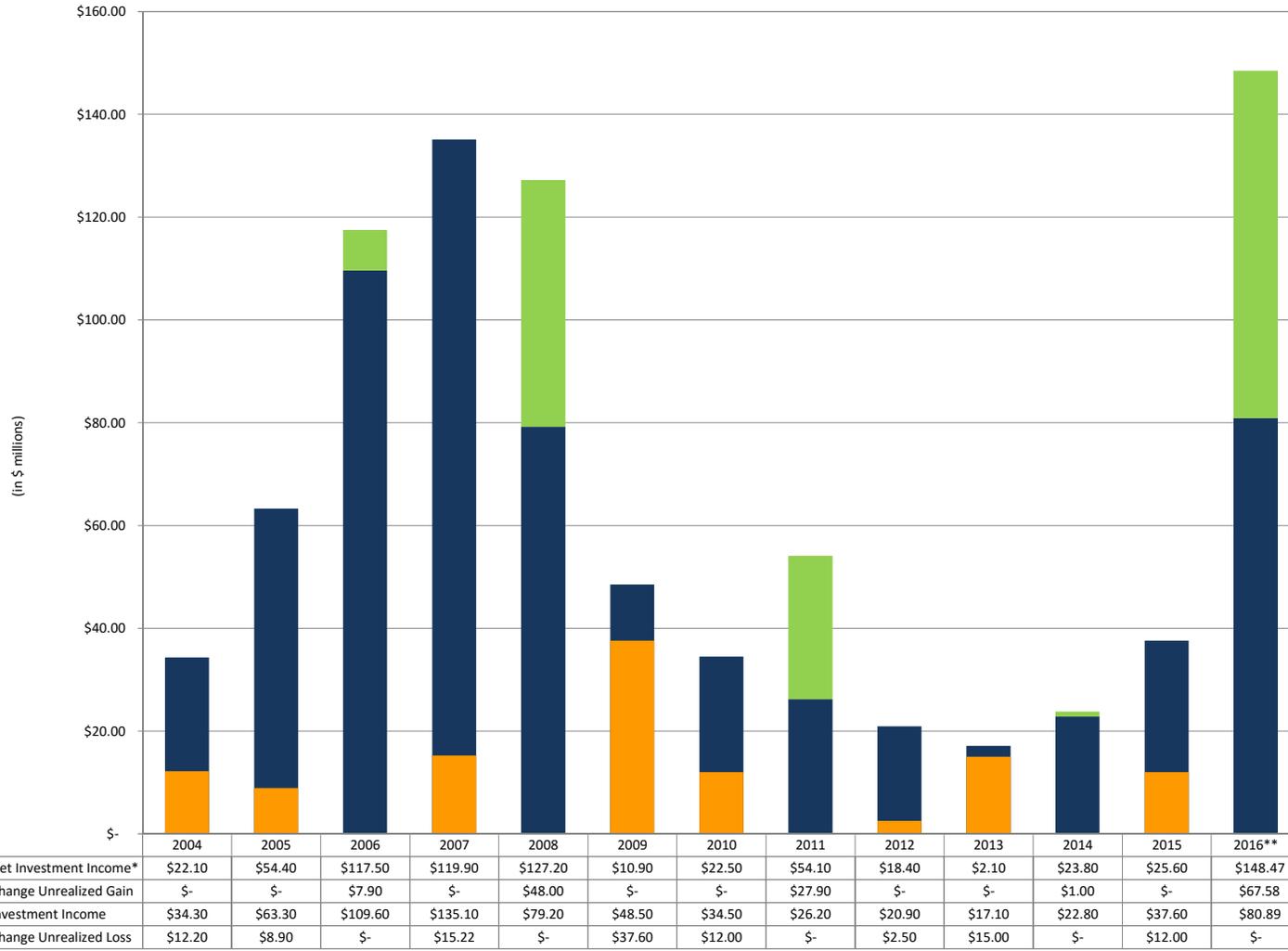
**California Earthquake Authority
Annual Capital Accumulated from Premium
as of December 31, 2015**



Capital Accumulated from Premium	\$245.2	\$283.1	\$234.1	\$225.5	\$255.7	\$258.6	\$249.3	\$275.0	\$236.7	\$233.1	\$263.0	\$286.6
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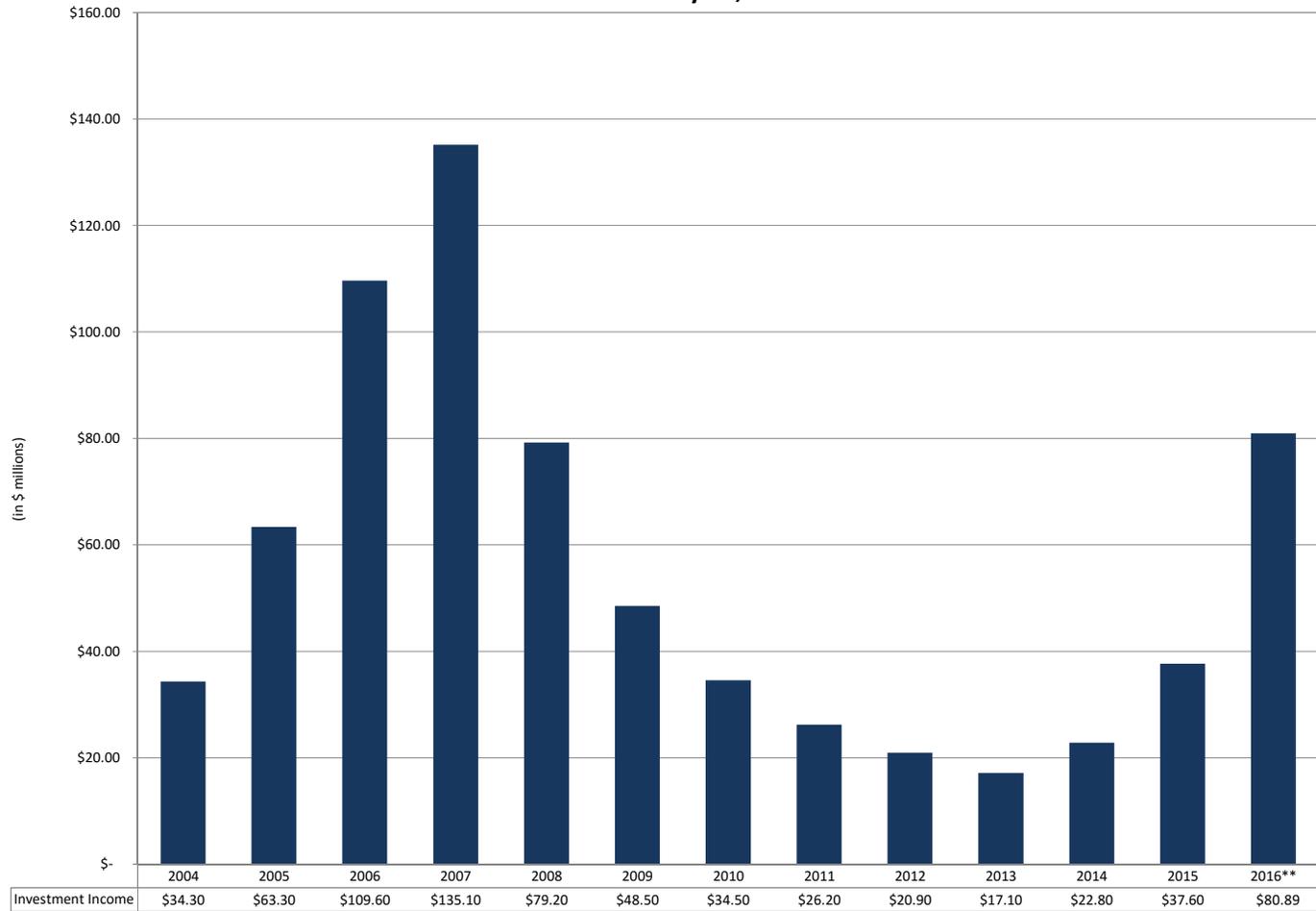
Investments

**California Earthquake Authority
Annual Net Investment Income
as of July 31, 2016**



*Net Investment Income is investment income net of unrealized gain or unrealized loss and ties to the financial statements.
**As of July 31, 2016.

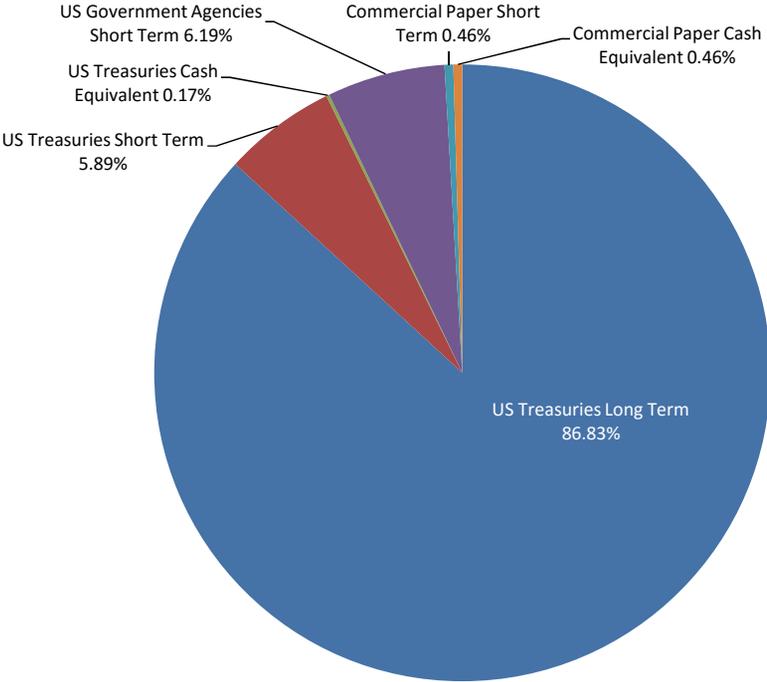
**California Earthquake Authority
Investment Income
as of July 31, 2016**



**As of July 31, 2016.

**California Earthquake Authority
Investment Portfolio Distribution at Market Value
as of July 31, 2016**

CEA Liquidity & Primary Funds:	\$5,438,794,768
US Treasuries Long Term	86.83%
US Treasuries Short Term	5.89%
US Treasuries Cash Equivalent	0.17%
US Government Agencies Short Term	6.19%
Commercial Paper Short Term	0.46%
Commercial Paper Cash Equivalent	0.46%
Total:	100.0%

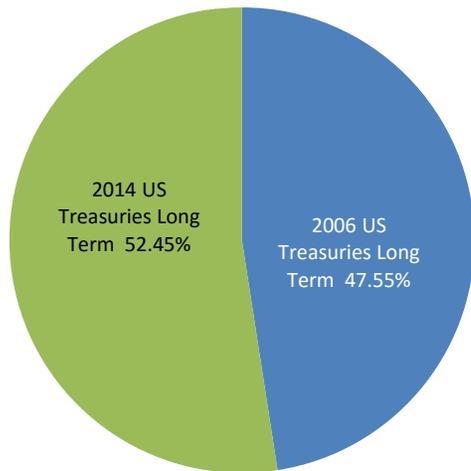


**California Earthquake Authority
Investment Portfolio Distribution at Market Value
as of July 31, 2016**

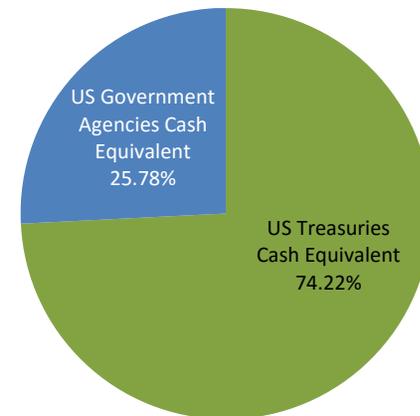
Claim(s)-Paying Funds:	\$680,340,631
2006 US Treasuries Long Term	47.55%
2014 US Treasuries Long Term	52.45%
Total:	100.00%

Mitigation Fund:	\$21,594,942
US Treasuries Cash Equivalent	74.22%
US Government Agencies Cash Equivalent	25.78%
Total:	100.00%

Claim(s)-Paying Funds



Mitigation Fund



Debt

**California Earthquake Authority
Schedule of Outstanding Debt - Defeased**

DEBT	ISSUANCE AMOUNT	INTEREST RATE	NET PROCEEDS	OUTSTANDING PRINCIPAL	AS OF DATE	MOODY'S RATING*	FITCH RATING**
Series 2006 Revenue Bonds ¹	\$ 315,000,000	6.169%	\$ 310,829,067	\$ -	31-Jul-2016	A3 Outlook Stable	A Outlook Stable

¹As of November 6, 2014, interest and principal are fully funded in escrow for remaining interest and principal payments.

DEBT-SERVICE SCHEDULE

The table below shows the annual-debt-service requirements for the Series 2006 Bonds.

Payment Date	Outstanding Principal	Principal	Interest	Debt Service	Annual Debt Service
1-Jan-16	\$31,500,000	\$0	\$971,618	\$971,618	
1-Jul-16	\$0	\$ 31,500,000	\$971,618	\$32,471,618	
2016					\$33,443,236

*Moody's rating since May 2015.

**Fitch rating affirmed October 2015.

**California Earthquake Authority
Schedule of Outstanding Debt**

DEBT	ISSUANCE AMOUNT	INTEREST RATE	NET PROCEEDS	OUTSTANDING PRINCIPAL	AS OF DATE	MOODY'S RATING*	FITCH RATING**
Series 2014 Revenue Bonds 2 year bond CUSIP 13017HAC0	\$ 40,000,000	1.194%	\$ 39,665,642	\$ -	31-Jul-2016	A3 Outlook Stable	A Outlook Stable

DEBT-SERVICE SCHEDULE

The table below shows the annual-debt-service requirements for the Series 2014 Bonds.

Payment Date	Outstanding Principal	Principal	Interest	Debt Service	Annual Debt Service
1-Jan-16	\$40,000,000	\$0	\$238,800	\$238,800	
1-Jul-16	\$0	\$40,000,000	\$238,800	\$40,238,800	
2016					\$40,477,600

*Moody's rating since May 2015.

**Fitch rating affirmed October 2015.

**California Earthquake Authority
Schedule of Outstanding Debt**

DEBT	ISSUANCE AMOUNT	INTEREST RATE	NET PROCEEDS	OUTSTANDING PRINCIPAL	AS OF DATE	MOODY'S RATING*	FITCH RATING**
Series 2014 Revenue Bonds 3 year bond CUSIP 13017HAD8	\$ 60,000,000	1.824%	\$ 59,498,463	\$ 60,000,000	31-Jul-2016	A3 Outlook Stable	A Outlook Stable

DEBT-SERVICE SCHEDULE

The table below shows the annual-debt-service requirements for the Series 2014 Bonds.

Payment Date	Outstanding Principal	Principal	Interest	Debt Service	Annual Debt Service
1-Jan-16	\$60,000,000	\$0	\$547,200	\$547,200	
1-Jul-16	\$60,000,000	\$0	\$547,200	\$547,200	
2016					\$1,094,400
1-Jan-17	\$60,000,000	\$0	\$547,200	\$547,200	
1-Jul-17	\$0	\$60,000,000	\$547,200	\$60,547,200	
2017					\$61,094,400

*Moody's rating since May 2015.

**Fitch rating affirmed October 2015.

**California Earthquake Authority
Schedule of Outstanding Debt**

DEBT	ISSUANCE AMOUNT	INTEREST RATE	NET PROCEEDS	OUTSTANDING PRINCIPAL	AS OF DATE	MOODY'S RATING*	FITCH RATING**
Series 2014 Revenue Bonds 5 year bond CUSIP 13017HAE6	\$ 250,000,000	2.805%	\$ 247,910,261	\$ 250,000,000	31-Jul-2016	A3 Outlook Stable	A Outlook Stable

DEBT-SERVICE SCHEDULE

The table below shows the annual-debt-service requirements for the Series 2014 Bonds.

Payment Date	Outstanding Principal	Principal	Interest	Debt Service	Annual Debt Service
1-Jan-16	\$250,000,000	\$0	\$3,506,250	\$3,506,250	
1-Jul-16	\$250,000,000	\$0	\$3,506,250	\$3,506,250	
2016					\$7,012,500
1-Jan-17	\$250,000,000	\$0	\$3,506,250	\$3,506,250	
1-Jul-17	\$210,000,000	\$40,000,000	\$3,506,250	\$43,506,250	
2017					\$47,012,500
1-Jan-18	\$210,000,000	\$0	\$2,945,250	\$2,945,250	
1-Jul-18	\$105,000,000	\$105,000,000	\$2,945,250	\$107,945,250	
2018					\$110,890,500
1-Jan-19	\$105,000,000	\$0	\$1,472,625	\$1,472,625	
1-Jul-19	\$0	\$105,000,000	\$1,472,625	\$106,472,625	
2019					\$107,945,250

*Moody's rating since May 2015.

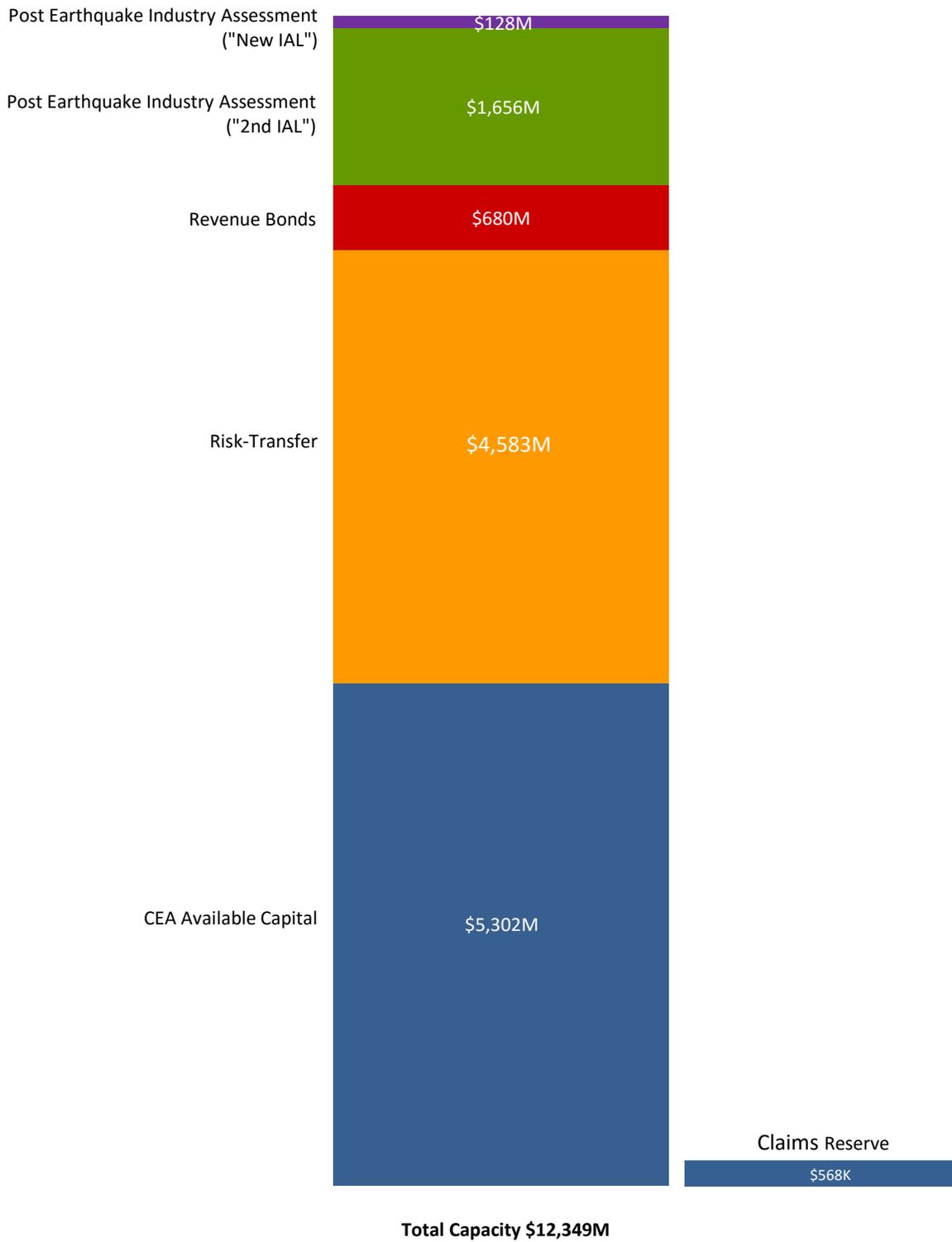
**Fitch rating affirmed October 2015.

Claim-Paying Capacity

**California Earthquake Authority
Available Capital Report
as of July 31, 2016**

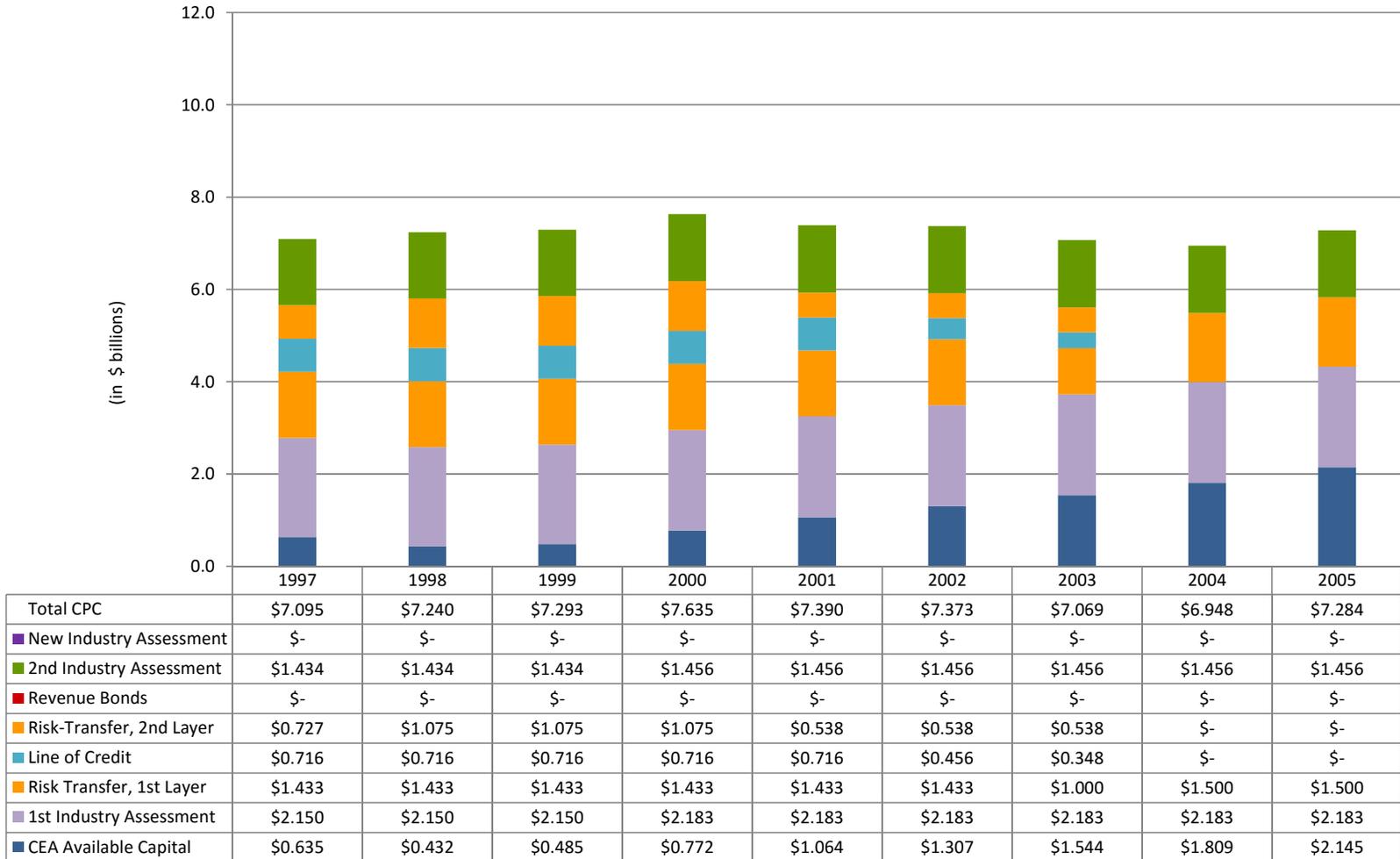
Cash & Investments (includes capital contributions and premiums)	\$	6,138,476,356
Earthquake Loss Mitigation Fund Cash and Investments	\$	(23,398,999)
Interest, Securities & Restricted Securities Receivable	\$	58,810,326
Premium Receivable	\$	68,042,486
Risk Capital Surcharge & Capital Contributions Receivable	\$	-
Other Assets	\$	7,926
Revenue Bonds	\$	(680,340,631)
Debt Service (Interest, Principal & Debt Service (Min. Bal.))	\$	(9,008,908)
Unearned Premium Collected	\$	(218,767,465)
Accrued Reinsurance Premium Expense	\$	-
Accounts and Securities Payable, and Accrued Expenses	\$	(31,544,008)
Loss Reserves	\$	(567,773)
CEA Available Capital	\$	5,301,709,310

**California Earthquake Authority
Claim-Paying Capacity
as of July 31, 2016**

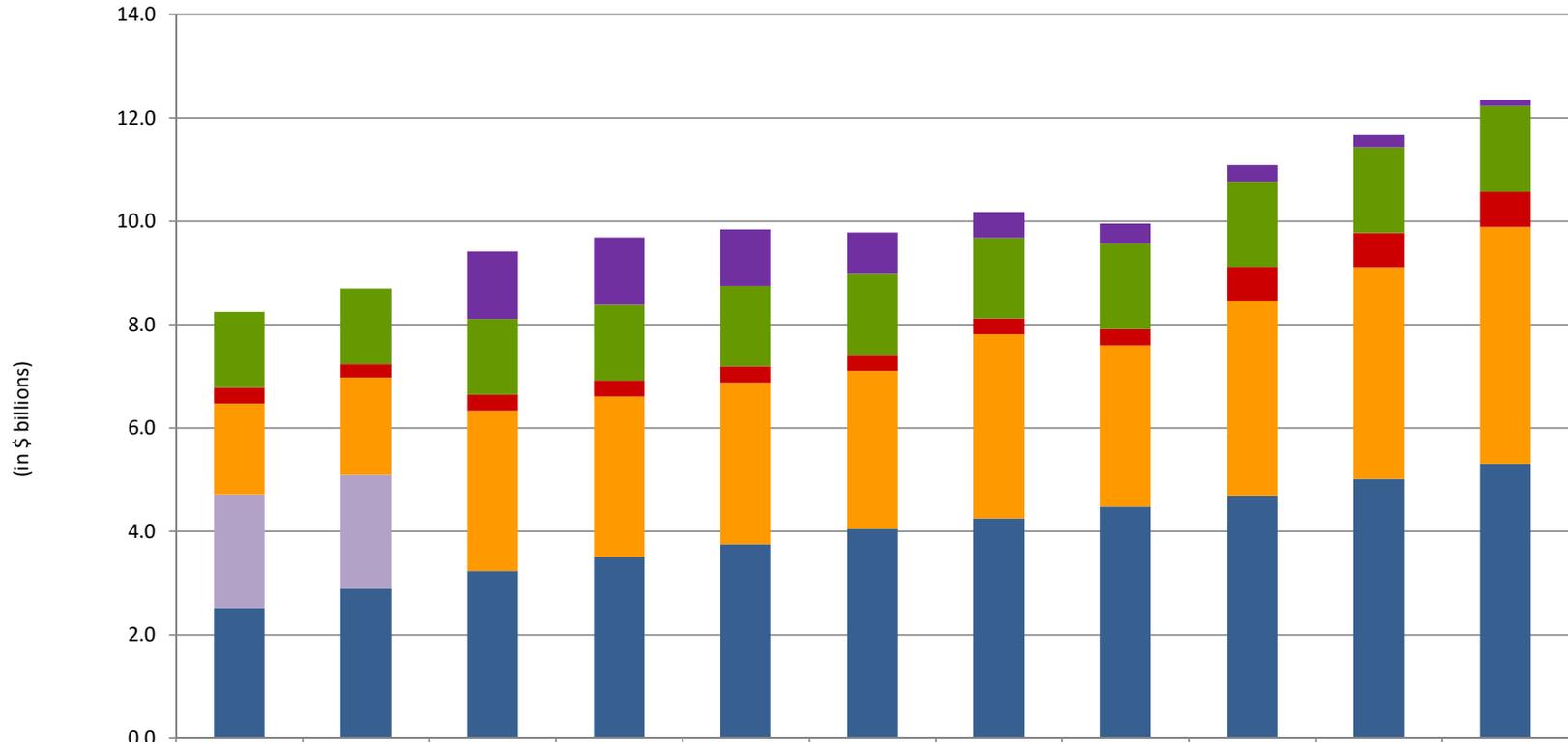


Note: Not drawn to scale

**California Earthquake Authority
Historical Claim-Paying Capacity (CPC)
December 31, 1997 through December 31, 2005**



**California Earthquake Authority
Historical Claim-Paying Capacity (CPC)
December 31, 2006 through July 31, 2016**



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Total CPC	\$8.244	\$8.695	\$9.411	\$9.685	\$9.840	\$9.777	\$10.179	\$9.949	\$11.081	\$11.667	\$12.349
New Industry Assessment	\$-	\$-	\$1.304	\$1.304	\$1.095	\$0.804	\$0.500	\$0.385	\$0.312	\$0.238	\$0.128
2nd Industry Assessment	\$1.465	\$1.465	\$1.465	\$1.465	\$1.558	\$1.558	\$1.558	\$1.656	\$1.656	\$1.656	\$1.656
Revenue Bonds	\$0.311	\$0.254	\$0.311	\$0.311	\$0.311	\$0.317	\$0.314	\$0.314	\$0.664	\$0.668	\$0.680
Risk-Transfer, 2nd Layer	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Line of Credit	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Risk Transfer, 1st Layer	\$1.756	\$1.885	\$3.100	\$3.100	\$3.123	\$3.050	\$3.557	\$3.115	\$3.759	\$4.091	\$4.583
1st Industry Assessment	\$2.197	\$2.197	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
CEA Available Capital	\$2.515	\$2.894	\$3.231	\$3.505	\$3.753	\$4.048	\$4.250	\$4.478	\$4.689	\$5.014	\$5.302

*as of July 31, 2016

Risk-Transfer Programs

**California Earthquake Authority
Risk-Transfer Program Summary
as of July 31, 2016**

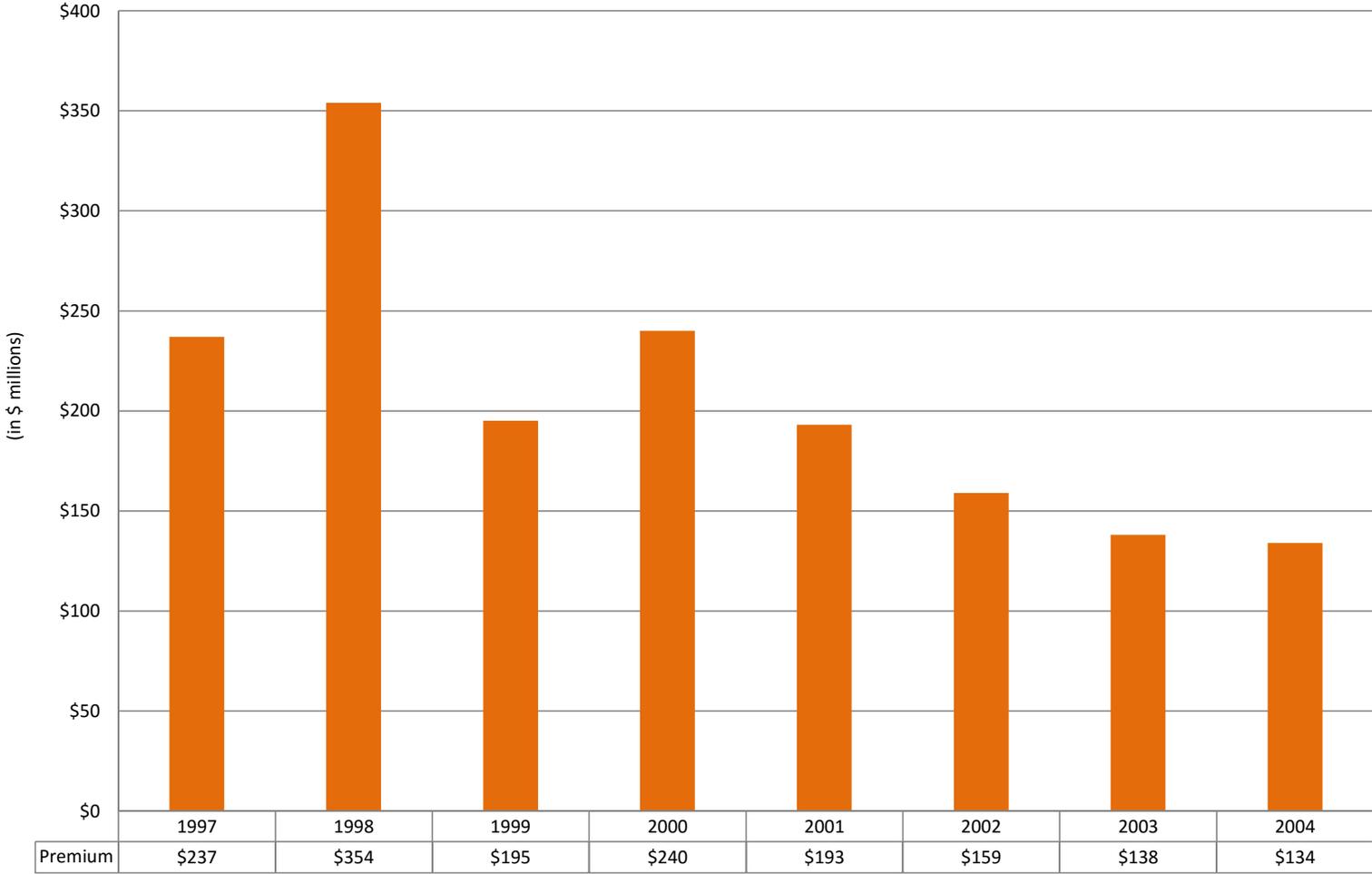
Traditional Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	12-Month Premium
2016 January Program Contract 1	January 1, 2016 - December 31, 2016	641,212,680	4.30%	27,572,145
2016 January Program Contract 2	January 1, 2016 - December 31, 2016	60,200,000	5.60%	3,371,200
2015-2016 January Program Contract 1	January 1, 2015 - December 31, 2016	156,431,990	4.55%	7,117,656
2015-2016 January Program Contract 2	January 1, 2015 - December 31, 2016	146,871,900	3.30%	4,846,773
2015-2016 January Program Contract 3	January 1, 2015 - December 31, 2016	24,999,990	5.40%	1,349,999
2016-2017 January Program Contract 1	January 1, 2016 - December 31, 2017	472,799,040	4.40%	20,803,158
2016-2017 January Program Contract 2	January 1, 2016 - December 31, 2017	99,999,970	5.70%	5,699,998
2016-2017 January Program Contract 3	January 1, 2016 - December 31, 2017	49,999,995	5.00%	2,500,000
2016-2017 January Program Contract 4	January 1, 2016 - December 31, 2017	50,000,000	2.60%	1,300,000
2016-2017 April Program Contract 1	April 1, 2016 - March 31, 2017	757,031,100	3.00%	22,710,933
2016-2018 April Program Contract 1	April 1, 2016 - March 31, 2018	259,876,500	3.10%	8,056,172
2016-2019 April Program Contract 1	April 1, 2016 - March 31, 2019	124,999,920	3.25%	4,062,497
2015-2017 August Program Contract 2	August 1, 2015 - July 31, 2017	200,000,000	4.50%	9,000,000
2015-2020 August Program Contract 1	August 1, 2015 - July 31, 2020	139,000,000	4.20%	5,838,000
2016 June Program Contract 2	June 1, 2016 - November 30, 2016	50,000,000	5.50%	2,750,000
2016-2018 June Program Contract 1	June 1, 2016 - May 31, 2018	49,999,980	5.40%	2,699,999
2016-2017 May Program Contract 1	May 1, 2016 - November 30, 2017	100,000,000	3.55%	3,550,000
2015-2016 August Program Contract 1	August 1, 2015 - July 31, 2016	187,500,000	5.50%	10,312,500
2015-2017 August Program Contract 1	August 1, 2015 - July 31, 2017	93,750,000	5.60%	5,250,000
2015-2017 December Program Contract 1	December 1, 2015 - November 30, 2017	124,999,980	5.50%	6,874,999
2015-2017 December Program Contract 2	December 1, 2015 - November 30, 2017	49,999,950	5.60%	2,799,997
2015-2018 August Program Contract 1	August 1, 2015 - July 31, 2018	93,750,000	5.80%	5,437,500
Total Traditional Reinsurance		3,933,422,995		
Transformer Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	12-Month Premium
2014 - 2017 Transformer Reinsurance Contract 1	December 1, 2014 - November 30, 2017	200,000,000	5.05%	10,126,970
2014 - 2017 Transformer Reinsurance Contract 2	December 1, 2014 - November 30, 2017	200,000,000	3.54%	7,230,177
2015 - 2018 Transformer Reinsurance Contract 1	September 16, 2015 - September 15, 2018	250,000,000	5.05%	12,712,517
Total Transformer Reinsurance		650,000,000		
Total Risk-Transfer Program		\$ 4,583,422,995		

California Earthquake Authority
2016 Total Premium Risk-Transfer Program
as of July 31, 2016

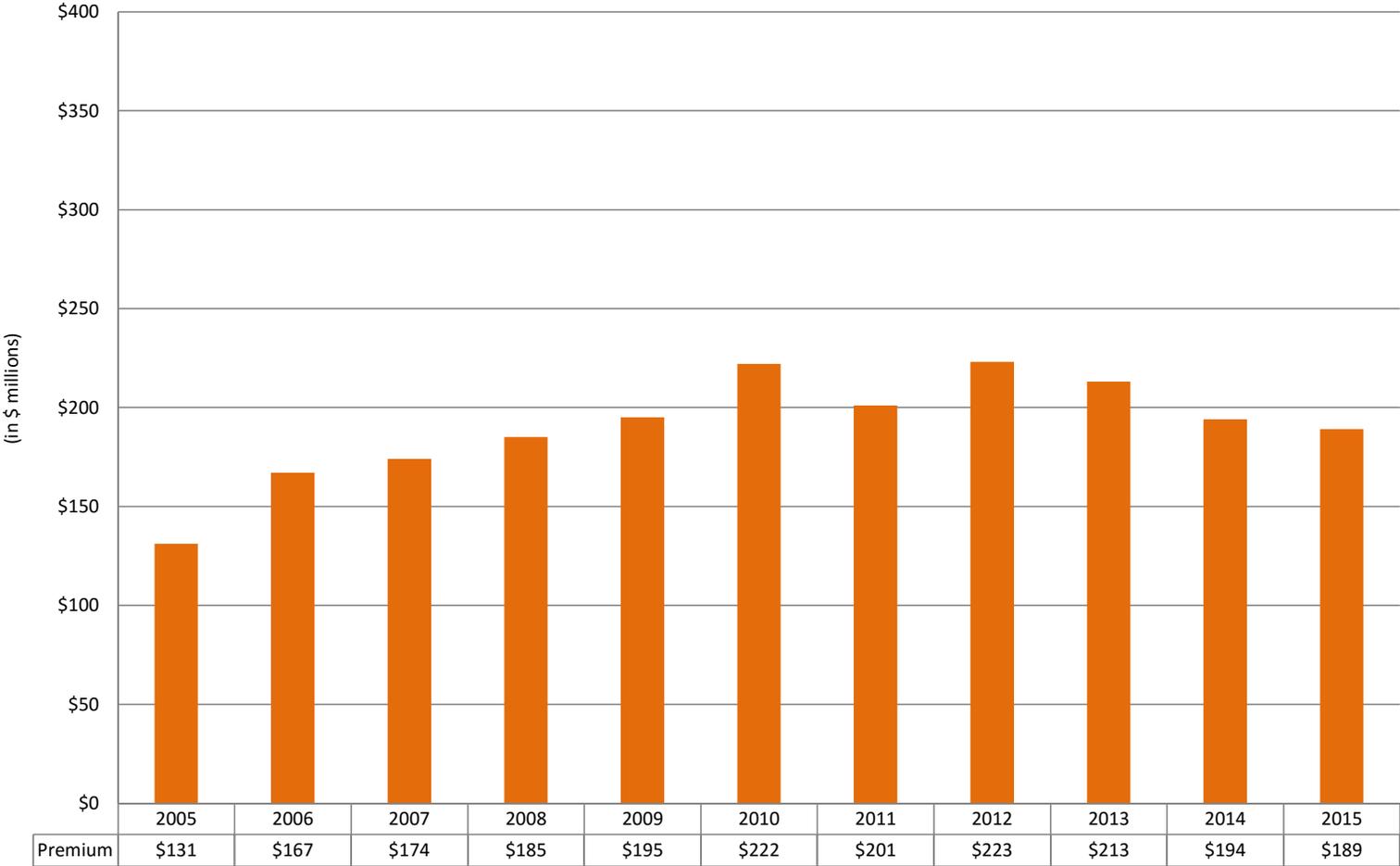
Traditional Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	2016 Premium
2016 January Program Contract 1	January 1, 2016 - December 31, 2016	641,212,680	4.30%	27,572,145
2016 January Program Contract 2	January 1, 2016 - December 31, 2016	60,200,000	5.60%	3,371,200
2015-2016 January Program Contract 1	January 1, 2015 - December 31, 2016	156,431,990	4.55%	7,117,656
2015-2016 January Program Contract 2	January 1, 2015 - December 31, 2016	146,871,900	3.30%	4,846,773
2015-2016 January Program Contract 3	January 1, 2015 - December 31, 2016	24,999,990	5.40%	1,349,999
2016-2017 January Program Contract 1	January 1, 2016 - December 31, 2017	472,799,040	4.40%	20,803,158
2016-2017 January Program Contract 2	January 1, 2016 - December 31, 2017	99,999,970	5.70%	5,699,998
2016-2017 January Program Contract 3	January 1, 2016 - December 31, 2017	49,999,995	5.00%	2,500,000
2016-2017 January Program Contract 4	January 1, 2016 - December 31, 2017	50,000,000	2.60%	1,300,000
2015-2016 April Program Contract 1	April 1, 2015 - March 31, 2016	624,992,490	3.00%	4,687,444
2014-2016 April Program Contract 1	April 1, 2014 - March 31, 2016	253,099,320	3.85%	2,436,081
2014-2016 April Program Contract 2	April 1, 2014 - March 31, 2016	122,499,960	3.75%	1,148,437
2016-2017 April Program Contract 1	April 1, 2016 - March 31, 2017	757,031,100	3.00%	17,033,200
2016-2018 April Program Contract 1	April 1, 2016 - March 31, 2018	259,876,500	3.10%	6,042,129
2016-2019 April Program Contract 1	April 1, 2016 - March 31, 2019	124,999,920	3.25%	3,046,873
2015-2017 August Program Contract 2	August 1, 2015 - July 31, 2017	200,000,000	4.50%	9,000,000
2015-2020 August Program Contract 1	August 1, 2015 - July 31, 2020	139,000,000	4.20%	5,838,000
2015-2016 June Program Contract 1	June 1, 2015 - May 31, 2016	25,000,000	3.60%	375,000
2016 June Program Contract 2	June 1, 2016 - November 30, 2016	50,000,000	5.50%	1,375,000
2016-2018 June Program Contract 1	June 1, 2016 - May 31, 2018	49,999,980	5.40%	1,574,999
2013-2016 May Program	May 1, 2013 - April 30, 2016	100,000,000	5.60%	1,866,667
2016-2017 May Program Contract 1	May 1, 2016 - November 30, 2017	100,000,000	3.55%	2,366,667
2015-2016 August Program Contract 1	August 1, 2015 - July 31, 2016	187,500,000	5.50%	6,015,625
2015-2017 August Program Contract 1	August 1, 2015 - July 31, 2017	93,750,000	5.60%	5,250,000
2015-2017 December Program Contract 1	December 1, 2015 - November 30, 2017	124,999,980	5.50%	6,874,999
2015-2017 December Program Contract 2	December 1, 2015 - November 30, 2017	49,999,950	5.60%	2,799,997
2015-2018 August Program Contract 1	August 1, 2015 - July 31, 2018	93,750,000	5.80%	5,437,500
Total Traditional Reinsurance Premium				157,729,547
Transformer Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	2016 Premium
2014 - 2017 Transformer Reinsurance Contract 1	December 1, 2014 - November 30, 2017	200,000,000	5.05%	10,126,970
2014 - 2017 Transformer Reinsurance Contract 2	December 1, 2014 - November 30, 2017	200,000,000	3.54%	7,230,177
2015 - 2018 Transformer Reinsurance Contract 1	September 16, 2015 - September 15, 2018	250,000,000	5.05%	12,712,517
Total Transformer Reinsurance Premium				30,069,664
Total Risk-Transfer Program Premium				187,799,211

Note: Additional risk-transfer program contracts expected in 2016

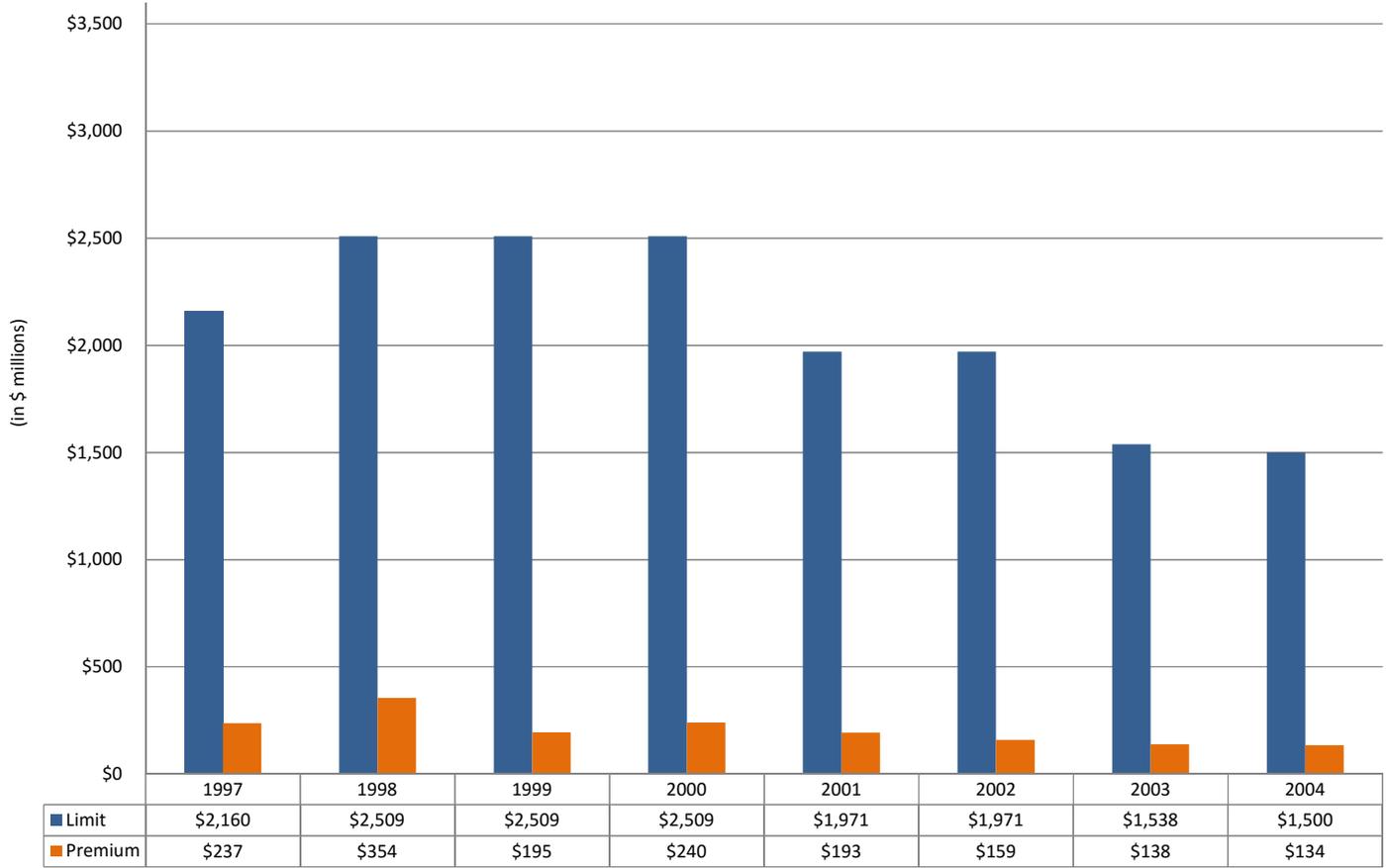
**California Earthquake Authority
Annual Risk-Transfer Premium
December 31, 1997 - December 31, 2004**



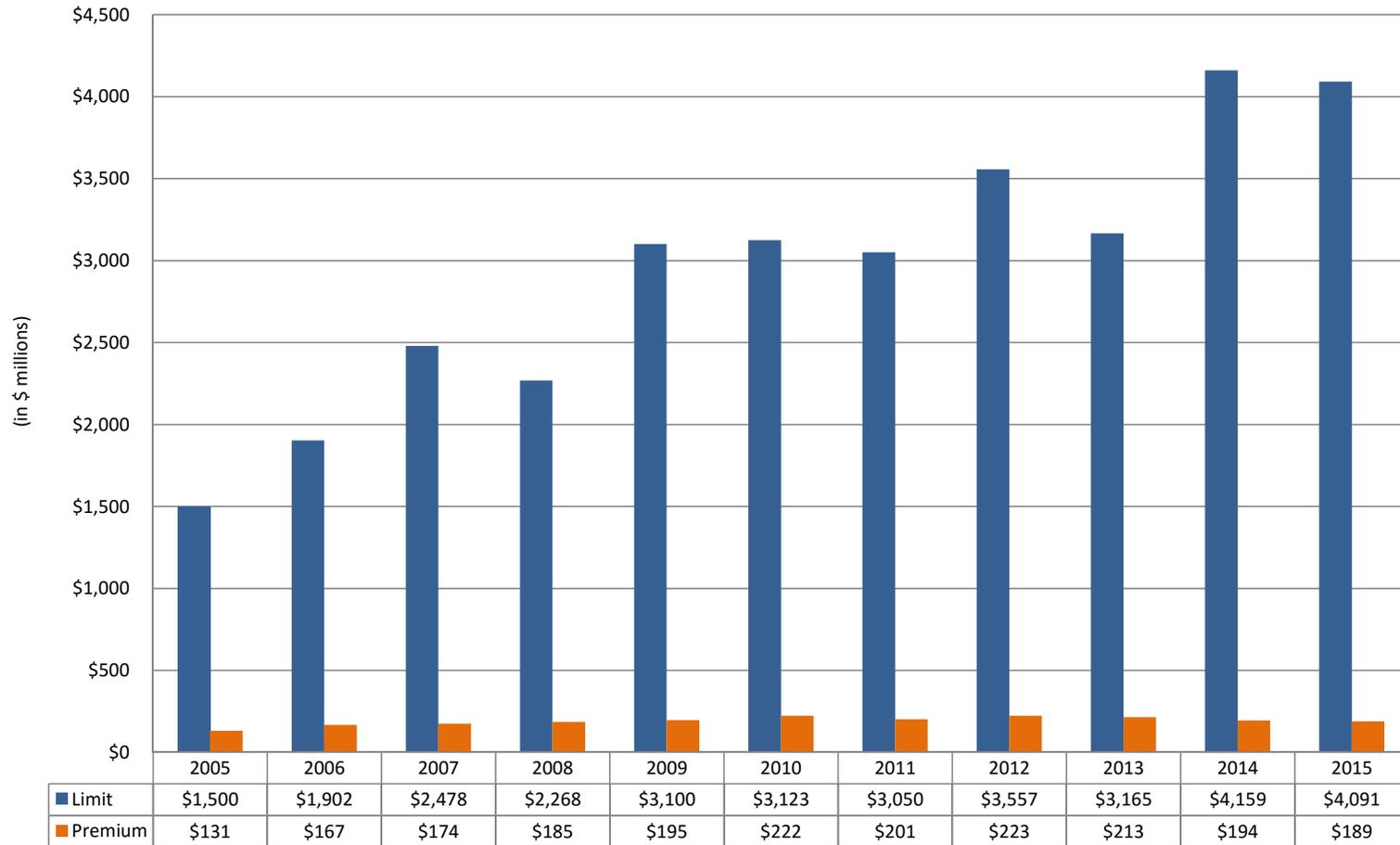
**California Earthquake Authority
Annual Risk-Transfer Premium
December 31, 2005 -December 31, 2015**



**California Earthquake Authority
Annual Risk-Transfer Premium and Limit
December 31, 1997 - December 31, 2004**



**California Earthquake Authority
Annual Risk-Transfer Premium and Limit
December 31, 2005 - December 31, 2015**



CEA Governing Board Memorandum

September 14, 2016

Agenda Item 5: Contract for services of an additional investment manager
(CEA procurement RFQ #08-15)

Recommended Action: Approve staff recommendation to hire an additional
investment manager for the CEA Primary Fund

Background:

In February 2016, the CEA began a formal process of seeking Primary Fund investment managers, because two of the existing managers' contracts were to expire in 2016.

Analysis:

CEA staff identified the need, from a best-practice standpoint, to obtain Primary Fund investment managers to invest funds in CEA's growing investment portfolio.

On February 8, 2016, the CEA issued a Request for Qualifications ("RFQ") seeking Primary Fund investment-manager services.

The RFQ was advertised on the websites of the following media outlets:

The Wall Street Journal
Pensions & Investments

The CEA received responses from 13 investment-management firms.

The RFQ responses were evaluated by a selection panel consisting of:

Tim Richison	CEA Chief Financial Officer
Trudi Miller	CEA Accounting Manager
Kyle Nebeker	CEA Financial Analyst
Paolo Gonzalez	CEA Investment Analyst
Kapil Bhatia	Raymond James & Associates, Inc. (CEA's Independent Financial Advisor)

Based on evaluation of proposals by each panel member, the selection panel ranked the firms that responded to the RFQ.

Staff brought the names of four firms to the Governing Board at its June 15, 2016, meeting, and the Board approved the staff recommendations for contracting.

In addition, staff told the Board that there was an additional firm whose review was incomplete, but if that firm met the CEA's criteria, its name would be brought to the Board for consideration as a CEA investment manager.

Members of the selection panel have now completed their review task by conducting a quality-assurance site-visit on August 17, 2016, to Conning, Inc.

Through review of the proposal, as well as the quality-assurance site-visit, staff can confirm that Conning, Inc., would meet the CEA's stringent RFQ requirements, and displays satisfactory systems for trading, compliance, reporting, and recovery. In addition, the RFQ panel was comfortable with the expertise and depth of experience of Conning team members who would be assigned the CEA's account.

The staff now recommends Conning, Inc., to the Board—if the Board approves the staff recommendation, Conning, Inc., will be invited to negotiate a contract with the CEA.

Investment Managers: Duties and Compensation

Below is a summary of key investment-manager duties, under contract:

- Contract term: Five years, with an option by CEA to extend for two years.
- Services to be performed:
 - Invest funds strictly according to law, in a manner that complies in all respects with California Government Code section 16430 and CEA's investment policies and guidelines as they may exist from time to time.
 - Conduct thorough investment analyses and provide advice on market conditions, including both positive and negative trends.
 - Analyze the fixed-income financial markets.
 - Monitor the performance of investments in the relevant CEA portfolio.
 - Provide CEA staff a *Daily Holdings Report*.
 - Retain in their systems sufficient data, in appropriate electronic format(s), to allow the CEA to verify historical investment transactions and balances and to measure historical portfolio performance.
- The maximum annual contractual compensation for each manager, as stipulated in the RFQ, was four basis points of CEA investments under management. The recommended firm proposed fees at four basis points.

Recommendation:

Staff recommends that the Board:

Authorize CEA staff to:

1. Negotiate for investment-management services with Conning, Inc., consistent with the terms of the procurement under which Conning, Inc., was evaluated.
2. Authorize CEO Glenn Pomeroy to execute any resulting contract on behalf of the CEA.

CEA Governing Board Memorandum

September 14, 2016

Agenda Item 6: Contract for Independent Financial Advisory Services
(CEA procurement: RFP #02-15)

Recommended Action: Approve staff recommendation to extend contract term of
Raymond James, Inc., as the CEA's Independent Financial
Advisor

Background:

Raymond James, Inc., has been the CEA's Independent Financial Advisor since it was selected in the public, competitive-procurement process. CEA Request for Proposals #02-09 resulted in a contract with Raymond James first executed in 2010.

Since 2010, the rules governing financial-advising services have changed, which has made it difficult for CEA to procure all-inclusive financial-advisory services from a single firm. In fact, Raymond James was the only respondent to the most recent such RFP.

Analysis:

On January 25, 2016, CEA issued RFP #02-15 for independent financial advisor services.

As of the deadline for that public process, the RFP had attracted no proposers.

After revising the RFP and also ensuring that the RFP was advertised in a manner and in locations that would provide the most visibility for the RFP, CEA re-issued the RFP on July 5, 2016, on the websites of *Financial Advisor Magazine* and *Pensions & Investments*.

After the deadline for responses had passed, CEA received a proposal from only one proposer: Raymond James.

The RFP response was evaluated by a panel consisting of expert CEA staff:

Tim Richison: Chief Financial Officer
Trudi Miller: Accounting Manager
Tracy Palombo: Risk-Transfer Program Manager
Paolo Gonzalez: Investment Analyst
Kyle Nebeker: Financial Analyst
Kathy Steinbroner: Procurement & Earth Science Analyst

As noted above, regulations for financial-advisory services have changed¹, as a result the combination of the services most useful for CEA and set forth in the RFP were no longer available, with the exception of Raymond James.

Raymond James provided CEA a letter documenting MSRB Rule G-42 and summarizing the terms and disclosures of the “municipal-advisory” relationship between Raymond James and CEA. The document describes how Raymond James is certain it can provide the desired services mix and not violate MSRB Rule G-42.

The Raymond James letter raises the possibility of conflicts of interest between the municipal advisor and the client. CEA staff believes Raymond James has adequately addressed the potential conflicts in its letter.

The CEA general counsel has agreed, and after receiving the Raymond James materials and the CEA Finance staff’s formal recommendation in support of this proposed contract, has supported extending the CEA’s contract with Raymond James on a sole-source basis and further recommended its approval by the CEO.

The staff now recommends to the Board the firm of Raymond James to continue its skilled work as the CEA’s independent financial advisor.

If the Board approves the staff recommendation, Raymond James will be invited to negotiate an extended contract term.

Financial Advisor: Duties and Compensation

For the Board’s information, key independent financial advisor duties are summarized below:

- Contract term: Five years, with an option by CEA to extend for two additional years.
- Services to be Provided:
 - Monitor capital markets and U.S. and worldwide financial developments, providing regular and as-needed updates to CEA.
 - Assist CEA and its Governing Board in revising CEA Investment Policies and Guidelines to reflect current law and market-credit and liquidity issues.
 - Make recommendations and assist CEA staff in securing legislative changes with respect to optimizing financing techniques, methods, and changes related to the CEA’s financial stability.
 - Analyze the risk-transfer market to determine current pricing views of traditional and collateralized reinsurers as well as capital markets providers.
 - Provide comment, analysis, and advice on proposals (RFQs/RFPs, etc.) for financial services-related vendors and consultants.

¹ The regulations are from the Municipal Securities Rulemaking Board (MSRB) Rule G-42.

- Assist CEA in forecasting cash needs for a post-earthquake scenario and to develop an investment-liquidations strategy that would result in the least amount of realized losses to the CEA.
- Raymond James has proposed an annual fee of \$300,000 to cover all services to be provided, with no transaction fees for debt financing or capital-markets risk-transfer transactions undertaken by CEA during the contract term.

Recommendation:

Staff recommends that the Board authorize CEA staff to:

1. Negotiate for Independent Financial Advisor services with Raymond James, Inc.
2. Authorize CEO Glenn Pomeroy to execute the resulting contract on behalf of the CEA.

Governing Board Memorandum

September 14, 2016

Agenda Item 7: Contract initiatives underway to support CEA communication programs

Recommended Action: Approve agreements secured through competitive procurement processes

Background:

At the CEA Governing Board meeting on June 15, 2016, staff reported plans to replace contracted services provided by its previous advertising agency, Civilian. Specifically, the Board heard updates on (interim) sole-source contracts with the former Civilian creative director (advertising creative services), U.S. International Media (paid media), and ZOOM Cross-Media (printing). Staff also provided status on a first-time *prime* contract with New America Media (ethnic media) and continued contracting with Burson-Marsteller (public relations).

Since June, CEA has completed contracts with Burson-Marsteller and New America Media. And through competitive procurements, staff is seeking to replace interim sole-source contracts for printing and paid media. Competitive procurements are also underway for advertising, agent marketing, and backup call-center services.

Analysis:

Continuation of public-relations contracting with Burson-Marsteller:

Burson Marsteller is now retained through an updated agreement that resulted from a competitive procurement (RFQ #10-13) seeking strategic communications services, including:

- Advice supporting CEA pre- and post-event earthquake marketing; public relations; and public-affairs-campaign planning, implementation, and evaluation; and
- Additional staff support, as needed, to fulfill surging communication responsibilities immediately following a damaging earthquake.

First-time ethnic-media contracting with New America Media (NAM)

As staff reported at the June 2016 Board meeting, CEA has always directly managed its ethnic-media relationships through NAM, a national, one-of-a-kind organization based in the Bay Area. But CEA previously procured those ethnic-media buys through its advertising agency. For the remainder of 2016 and into the foreseeable future, CEA will contract directly with NAM for ongoing ethnic-media buys.

Completion of printing contracting through competitive procurement

As previewed for the Board in June 2016, CEA posted the final RFP (#01-16) for Print and Mailing Services for both Mandatory Marketing Documents (MMD) and Hazard Reduction Discount (HRD) letters on June 15, 2016; received four submissions; and met with two finalists.

ZOOM Cross-Media (ZOOM) has now been retained through a competitive-procurement process to provide printing and mailing services for the MMD—a new-for-2016 legal requirement that requires CEA Participating Insurers (PIs) to send annually each of their home-insurance customers a CEA-prepared document that promotes CEA earthquake insurance. MMD printing and mailing through ZOOM is for PIs that ask, and contract for, CEA's assistance.

ZOOM also will print and mail CEA's HRD letters.

Completion of paid-media contracting through competitive procurement

As reported to the Board in June 2016, CEA requires an external entity to place and process CEA's paid media, both for independent media-buying recommendations and to help ensure the lowest possible rates for CEA advertising. CEA posted RFQ #03-16 for Media Planning and Placement Services on August 22, 2016; received five submissions; and met with two finalists.

As a result, US International Media and Runyon Saltzman, Inc., have been awarded an opportunity to contract with CEA to provide, respectively, media-planning and placement services for business-to-consumer and business-to-business programming, including:

- Expert media planning and buying services to support a statewide advertising plan;
- Planning based on reliable, competent research into identifying optimal CEA-message placement; and
- Placing an advertising campaign to help to increase CEA-brand awareness and integrate earned, bonus, social, and owned media.

Initiation of contracting with an advertising agency through a competitive procurement

As conveyed to the Board in June 2016, CEA will post an RFP for Advertising and Creative Services in time to report results of this procurement at the December 2016 Board meeting.

CEA's new advertising agency will be retained through a competitive procurement to provide business-to-consumer advertising and creative services, including:

- Messaging for product-marketing to sell earthquake insurance as a voluntary purchase in an open market, not as part of a government program;
- Advertising creative services designed to motivate more California residents to purchase a CEA policy; and
- Delivery of campaign-related printing and fulfillment services.

Initiation of agent marketing contracting through a competitive procurement

After the September 2016 Board meeting, CEA will post an RFP for Agent Marketing Services in time to complete this procurement and report results by the December 2016 Board meeting.

The agent-marketing contractor will work with CEA on Business-to-Business services, including:

- Update, integrate, and strategically focus core agent-training and sales resources, including CEA's training presentation, training video, and leave-behind documents;
- Evaluate and recommend refinements to CEA's Marketing Value Program (MVP); and
- Propose three-year content strategy and tactics for CEA-PI agents and producers.

Initiation of back-up call center contracting through a competitive procurement

Also after the September 2016 Board meeting, CEA will post an RFP for backup call-center services in time to complete this procurement and report results at the December 2016 Board meeting.

CEA's backup call-center contractor will provide needed post-earthquake administrative-support services, including:

- Functioning as a call center open 24 hours a day, seven days a week;
- Lending its experience and expertise in handling urgent calls to receive new CEA-insurance claims; and
- Handling calls in English and other languages from CEA policyholders and other important stakeholders, PI representatives and agents, journalists, and public officials.

Recommendation:

Approve proposed agreements for New America Media, ZOOM Cross-Media, and US International Media and Runyon Saltzman, Inc., to assist in implementing CEA communications programming.

Governing Board Memorandum

September 14, 2016

Agenda Item 8: CEA Research Program

Recommended Actions: CEA executive staff recommends approval of a comprehensive research program

Background and Analysis:

With CEA Governing Board support and approval, the CEA has established a long history of sponsoring groundbreaking research projects.

A number of these research projects support the CEA's statutory requirement to establish rates based on the best available scientific information for assessing the risk of earthquake frequency, severity, and loss. These include large multi-disciplinary teams of well-respected scientists and researchers, such as:

- UCERF2 (2007 *Uniform California Earthquake Rupture Forecast*, which was prepared in cooperation with the USGS, CGS, and the Southern California Earthquake Center (SCEC))
- NGA-West (2007 *Next Generation of Ground Motion Attenuation Models*, which was coordinated by the Pacific Earthquake Engineering Research Center (PEER))
- UCERF3 (2013 update)
- NGA-West2 (2013 update)

The Governing Board has also supported research to better understand and assess earthquake damage, as well as the effects of mitigation on specific seismic vulnerabilities. Examples of this research includes:

- CUREE Guidelines (2007/2010: *General Guidelines for the Assessment and Repair of Earthquake Damage in Residential Woodframe Buildings*)
- FEMA P-50 (2012: *Simplified Seismic Assessment of Detached, Single-Family, Wood-Frame Dwellings*)
- 2014 Napa Earthquake Research Project (ongoing CEA-sponsored research that includes a survey of residential woodframe-structure damage, seismic retrofits, and homeowners' understanding of earthquake insurance)
- Mitigation research (ongoing research, identifying vulnerabilities that can be addressed through prescriptive retrofits and then quantifying the effects of selected prescriptive retrofits on damageability, comparing pre-retrofit and post-retrofit)

Research projects such as these result in a better and broader understanding of seismic risk and vulnerability, and as important, are of tremendous benefit to the CEA and its policyholders, and all California residences and homeowners.

Proposed CEA Research Plan

The CEA Strategic Plan contains a succinct Mission Statement that highlights the Authority's responsibility to encourage and support programs that take "effective action to reduce the risk of earthquake damage and loss."

Details in the CEA Strategic Plan outline research goals that, when accomplished, help the CEA meet its stated mission:

- The support of quality, publicly available research in seismic science and engineering;
- Commission of original scientific and engineering research, to build among all relevant communities a richer understanding of expected earthquake damage to residential structures; and
- Development, advocacy, and leadership in targeted research, to enhance the effectiveness of the CEA and its partners in helping Californians understand and manage their earthquake risk.

In order to nurture a research environment focused on the science intrinsic to continue meeting the CEA's mission, staff proposes a new, three-tiered research program:

I. Annual student grant program

- a. Ongoing annual student grants of \$10,000 per grant, awarded in specific areas of study related to aspects of the CEA's mission statement.
- b. Developing relationships with research institutions and professional research organizations, to encourage participation in the student-grant program.
- c. Including a multi-disciplinary CEA team to ensure the student-grant program fairly represents the depth and breadth of the Authority.

II. Bi-annual research grant

- a. Ongoing bi-annual grants of up to \$100,000, awarded in specific areas of research related to aspects of the CEA's mission statement.
- b. Continuing the relationship-building with research institutions and professional research organizations.
- c. Careful consideration of likely areas of research in which grants would be awarded, and multi-disciplinary CEA review of the grant-application process.

III. Special research Projects

- a. Continuation of the initiation and support of ground-breaking, multi-year research projects such as the UCERF, NGA West, and Mitigation Research projects.
- b. The CEA and Governing Board approval process will continue to include the competitive RFQ/RFP/RFB/RFI¹ approach, formal sole-source requirements, and existing selection processes now in effect and working well.

This three-tiered CEA Research Program will be amplified and extended by a new *CEA Research Forum*, to be held once each year at a time and in a place determined conducive to good participation from academic and professional earthquake communities.

The forum agendas would include:

- A review of the annual accomplishments of the CEA by the CEA and executives, as well as plans for future work, products, and approaches.
- A review of CEA-sponsored research that was either completed in the preceding year or which reached a significant milestone in the preceding year, including presentations by the CEA-research-grant recipients.
- Opportunities to discuss with research professionals and academic representatives research gaps, ongoing research efforts, and other important topics.

Anticipated Areas of Research

Areas of research that will be encouraged in the three-tiered CEA Research Plan would include:

- Geo-Hazard
 - Hazard-mapping (UCERF, NGA West)
 - Early-warning sensors
- Engineering
 - Seismic retrofit methodology
- Social Sciences
 - Risk communication
 - Hazard reduction through behavior change
 - Social media and risk communication
- Financial
 - Mitigation cost-benefit analysis
- Geospatial (mapping)

¹ Requests for (respectively) qualifications, proposals, bids, and interest.

Anticipated Proposed 2017 Budget

It is anticipated that the proposed 2017 budget for the new CEA Research Program will be \$120,000, including both ongoing grants and forum costs.

After program establishment, most other costs of administration would be absorbed by CEA business and support departments in the ordinary course.

Recommendation:

CEA executive staff recommends that the Governing Board approve a comprehensive CEA Research Program, reflecting the CEA Strategic Plan, which includes ongoing student and professional research grants and an annual research forum.

Governing Board Memorandum

September 14, 2016

Agenda Item 9: CEA Mitigation Program: Projects

Recommended Actions: No action required—information only

Background and Analysis:

The CEA Mitigation Department manages multiple projects, focusing on expanding mitigation resources to homeowners and technical professionals, as well as collecting data to broaden mitigation efforts.

Guidelines Development

ATC 110, the earthquake-guidelines-development project, will create statewide retrofit standards that can be used to reduce earthquake damage in single-family dwellings.

In addition to creating a uniform seismic-retrofit-design methodology for homeowners, contractors, and engineers, the new guidelines will help the CEA and others (1) establish and expand incentive programs to encourage seismic retrofits, such as that of the California Residential Mitigation Program, and (2) enhance the CEA's ability to develop and provide suitable mitigation discounts for CEA-insured homeowners.

The CEA is funding the project, and CEA chief mitigation officer Janiele Maffei and FEMA's Mike Mahoney are jointly managing the project.

FEMA P-50 and P-50-1

The CEA was a contributing funder to developing FEMA P-50. But while the tool has been available for use by inspectors, it has (so far) not been widely distributed or used.

CEA is taking the initiative to bring the FEMA P-50 evaluation tool—and related training—to California home inspectors, for three reasons:

1. To help homeowners interested in retrofits learn associated risks and vulnerabilities.
2. To provide home-buyers information at time of sale regarding potential seismic risks in light of structure vulnerabilities.
3. To provide additional inspection resources in support of CEA's Hazard Reduction Discount program.

CEA is working with the California Real Estate Inspection Association (CREIA), the American Society of Home Inspectors (ASHI), FEMA, ATC, Simpson Strong-Tie, and Cal OES. In 2016, five training sessions have been scheduled, and CEA is coordinating sessions in San Diego, Pleasanton, Norwalk, Santa Clara, and Los Angeles/Burbank.

The goal is to create a statewide resource of 200 trained home inspectors by year-end 2016.

Mobile Application – Quake Grade

CEA is also developing a mobile-device app, based on FEMA P50, for use by home inspectors.

The app will collect data, calculate a vulnerability score, and generate a report describing the inspected house's seismic vulnerabilities. The app will also suggest options to retrofit the structure and otherwise mitigate the vulnerabilities to improve the vulnerability score.

The app could also include creation and use of the CEA Hazard Reduction Discount form.

This project is funded and governed through the CEA-IT Project Portfolio.

South Napa After-Event Study

On August 24, 2014, at 3:20 a.m., a magnitude 6.0 earthquake struck in the American Canyon area, just south of Napa—it was the largest to hit California since the 1994 Northridge earthquake. According to *The Press Democrat* (Santa Rosa), the quake killed one person and injured 200, including a young man gravely injured by falling bricks from his home's fireplace.

CEA embarked on a research project to compile data on how single-family dwellings performed during that earthquake—no data previously existed that would identify seismically retrofitted and non-retrofitted dwelling performance in Napa.

CEA collaborated with Dr. Sharyl Rabinovici, a research consultant, in developing the project plan. The consultant developed the survey tool, managed data collection, provided descriptive analysis, and conducted confidential one-on-one interviews with selected homeowners in order to understand the impacts of damage and other event factors on those households.

The study was completed in two phases.

- Phase I included a 2015 online survey completed by 633 respondents.
- Phase II involved interviews with 39 homeowners, coupled with inspections of their houses. Over half of the houses had been identified by respondents as having been seismically retrofitted *before* the August 2014 earthquake.

California Real Estate Inspection Association (CREIA)-affiliated home inspectors who completed training in FEMA P-50 *Simplified Seismic Assessment Form for Detached, Single-Family, Wood-Frame Dwellings* conducted the inspections in March 2016.

The 2014 Napa Earthquake After-Event Study revealed characteristics of residents interviewed:

- Most of the interviewed homeowners grew up in California or moved here decades ago, and showed a high degree of awareness in general about earthquakes and other natural hazard risks of home ownership.
- Many said they were deeply attached and emotionally invested in their house, expressed as a high degree of personal connection to their property.

Phase II interviews revealed that retrofitting was not well-understood unless the homeowners were construction-homeowners (many homeowners did not know whether their house had been retrofitted). Other owners who knew their house was retrofitted didn't know what retrofit work had been done or what damage retrofits are likely to prevent.

Most homeowners said that retrofit status was not a major factor in their home-buying decision.

The Phase I survey found that:

- Of the surveyed Napa dwellings, 12.2% had been retrofitted before the 2014 earthquake.
- The most frequently reported retrofits were anchoring (bolting), chimney removal, and adding plywood or oriented strand board (OSB) to short-stud (“cripple”) walls.

Phase I respondents were asked five questions about earthquake insurance. The percentage of Phase I respondents with earthquake insurance was consistent with an overall statewide take-up of approximately 10%. Many respondents in both phases had common misperceptions about earthquake insurance affordability and coverages.

Phase II respondents did not include any CEA policyholders. Additional questions about earthquake insurance were asked, and respondents were highly aware of earthquake insurance but knew little about coverage specifics. Respondents who had purchased earthquake insurance were pleased to be covered and were longtime policyholders.

Of respondents with earthquake insurance in August 2014, the majority said they had submitted a claim.

Phase II also revealed the following:

- Few recalled the mandatory offer of earthquake insurance sent by their home insurer.
- Most admitted that they relied mainly on word of mouth for information about insurance, including whether it's useful, affordable, or worthwhile.
- Despite their being in an area affected by significant quakes in 2000 and 2014, few had sought personalized information about earthquake insurance.

To summarize, the Napa earthquake study revealed no significant surprises regarding earthquake-related behaviors and beliefs, but it did reinforce the need for clear and consistent access to information about earthquake mitigation and insurance.

The study also identified significant interest among homeowners for affordable, reliable earthquake assessments that can inform their decision-making—this affirms the value of CEA's current efforts to make FEMA P-50 methods known, accessible, and available to the public.

Staff will develop an “After-Event Study” template, to quickly perform similar studies after future earthquakes, with clear benefits from tracking outcomes and evaluating effectiveness.

End-to-End Mitigation Project

CEA has hired a web designer and a content writer for the website with the working title *End-to-End Mitigation*.

The schedule includes uploading an initial version of the site by year-end 2016.

This project is funded and governed through the IT Project Portfolio.

Recommendations: None – information only.

Governing Board Memorandum

September 14, 2016

Agenda Item 10: CEA Mitigation Research Project—Quantifying the performance of retrofit of cripple walls and sill anchorage in single-family woodframe buildings.

Recommended Actions: No action required—information only

Background and Analysis:

At the December 17, 2014, Governing Board meeting, CEA staff presented a Request for Qualifications and Proposal (RFQ&P 08-14) for research to quantify the effects, in both dollars of damage and dollars of insured loss, for cripple-wall and sill-anchorage retrofits. This project is referred to here as the Mitigation Research Project (MRP).

In first quarter 2015, after evaluating the proposals and holding interviews with proposers, CEA staff selected the Pacific Earthquake Engineering Research Center (PEER) proposal and entered into contract negotiations for the proposed services.

In August, 2015, the CEA Governing Board authorized CEO Glenn Pomeroy (with the assistance of CEA staff) to negotiate and finalize the 42-month, \$3.4 million contract with PEER, to fund research on the performance effects of cripple-wall and sill-anchorage retrofits.

After lengthy contract negotiations, the contract with PEER and the CEA was finalized in August 2016 and is awaiting final signature.

PEER management and program:

The Pacific Earthquake Engineering Research Center (PEER) is a consortium of 10 of the nation's leading research universities. Established in 1996, it became a US National Earthquake Engineering Research Center in 1997. PEER's principal investigator for the MRP is Professor Yousef Bozorgnia, Adjunct Professor of Civil Engineering, University of California, Berkeley, and former Executive Director of PEER.

Professor Bozorgnia has assembled a team of academic experts for the MRP from the following PEER-affiliated institutions:

- University of California, Berkeley;
- University of California, Irvine;
- UCLA;
- University of California, San Diego; and

- Stanford University.

Project research will be planned and managed by the Program Leadership Committee consisting of design professionals and academics, each of whom is also responsible for leading Task Working Groups (WG). The committee consists of the following:

- Professor Yousef Bozorgnia, UC, Berkeley
- Professor Greg Deierlein, Stanford University
- Professor Tara Hutchinson, UC, San Diego
- Bret Lizundia, Professional Structural Engineer
- Evan Reis, Professional Structural Engineer

The committee will lead a talented group from academia and private practice with a wide range of expertise in earthquake engineering, woodframe buildings, fragility development, experimental investigations, and analytical simulations.

PEER has also created a separate Program Review Panel of academics and design professionals that will peer review interim deliverables. Grace Kang, PEER Program Coordinator, will monitor the program's progress, milestones, and schedule.

Project Scope of Work:

The project scope of work is divided into seven tasks:

- Task 1: Literature review
- Task 2: Analyzing building inventory and defining "Index Buildings"
- Task 3: Selecting ground motions and developing loading protocols
- Task 4: Experimental program
- Task 5: Analytical modeling
- Task 6: Development of fragility-modification functions
- Task 7: Synthesizing and reporting

PEER's timeline shows timing for the seven tasks and working-group tasks and key interdependencies among working groups.

Testing may be conducted at any participating university but will occur mostly at the UC San Diego's Experimental Labs and Englekirk Structural Engineering Research Center.

While the MRP will include testing of cripple-wall components, full-scale shake-table tests are not part of the project. The project includes, however, developing a comprehensive shake-table test-plan of a full-sized, cripple-wall-supported house.

CEA Steering and Project Review Committee:

CEA staff representing the multi-disciplinary nature of the MRP will participate in a steering committee throughout the project. Chief Mitigation Officer Janiele Maffei will chair the CEA steering committee.

A separate project-review committee will review project deliverables and deliverable timing throughout the project and provide independent comment to the CEA steering committee.

Project Schedule:

The project is scheduled to be completed in 42 months for a fee of \$3.4 million.

CEA Governing Board Memorandum

September 14, 2016

Agenda Item 11: *Earthquake Brace + Bolt* update

Recommended Action: No action required—information only

Background:

Homeowners in the *Earthquake Brace + Bolt* (EBB) program ZIP Codes are eligible for an incentive payment of up to \$3,000 to help pay costs associated with seismically retrofitting their houses. EBB is operated by the California Residential Mitigation Program, a joint powers authority whose members are the CEA and California Governor's Office of Emergency Services.

Analysis:

2015 EBB Expansion

In 2015, EBB was available in 28 ZIP Codes in seven cities: Oakland, San Francisco, San Leandro, Los Angeles, Pasadena, Santa Monica, and Napa. As of September 2, 526 retrofits had been completed and 2 retrofits were pending with building permits issued.

2016 EBB Expansion

Funds provided by CEA from its Loss Mitigation Fund will provide 600 retrofits in 2016.

In addition, the Legislature and Governor included in the 2015–2016 state budget an appropriation of \$3,000,000 to the California Department of Insurance, with direction that the Department grant that money to the CEA, which would then contribute the funds to the CRMP's EBB program.

Homeowner registration for the 2016 EBB program opened for a month on January 20, 2016, in 18 cities and more than 100 ZIP Codes.

As of September 2, 2016, in progress were:

- Completed retrofits 752
- Permits received 631

The remaining 400 homeowners on the waitlist, will be invited into EBB next week. EBB is on track to reach the 2016 goal of 1,600 retrofits.

2016 Napa Earthquake Brace + Bolt

The Napa Earthquake Brace + Bolt program (Napa EBB) was launched in February 2017.

Napa EBB is funded by the FEMA Hazard Mitigation Grant Program (HMGP) and by a partial EBB-funding match provided with CEA-funding support. Napa EBB will provide retrofit grants for 100 houses.

As of September 2, 2016, in progress were:

- Completed retrofits 18
- Permits received 18

With 107 homeowners on the waitlist, the Napa program remains on track to complete 100 retrofits.

Potential 2016/2017 Funding: FEMA Hazard Mitigation Grant Program

CEA submitted an application to Cal OES for additional FEMA HMGP funding for mitigation programming in Humboldt County and Santa Barbara County.

Like the Napa EBB program, Humboldt EBB and Santa Barbara EBB would be supported by a partial EBB-funding match by CEA. The application proposed a total of 600 retrofits in the two counties.

2017 EBB Expansion

Again in 2016, the Legislature and Governor included in the 2016–2017 state budget an appropriation of \$3,000,000 to the California Department of Insurance for CRMP’s EBB program, with the expectation that those funds would be granted to the CEA and then contributed to the CRMP EBB program. The CRMP Board has also approved 600 retrofits for 2017.

Homeowner registration for the 2017 EBB program will open in January in 31 cities and more than 140 ZIP Codes.

Future Funding Opportunities

We continue to look beyond CEA’s Loss Mitigation Fund for additional EBB funding—more funding means more incentive payments for more homeowners. As it stands, the number of houses needing retrofits far exceeds the funding now available or identified.

Recommendation:

No action required—information only.

CEA Governing Board Memorandum

September 14, 2016

Agenda Item 12: CEA Brace + Bolt update

Recommended Action: Approval of the CEA Brace + Bolt Program Rules

Background:

CEA will pilot a new program in fall 2016, *CEA Brace + Bolt* (“CEA BB”), which will provide selected policyholders up to \$3,000 toward a retrofit to encourage them to strengthen their older houses located in high-seismic-activity areas. Once the brace-and-bolt retrofit is complete and verified, policyholders will qualify for CEA’s new 20 percent Hazard Reduction Discount on their earthquake premium.

This initiative has a sound financial basis: retrofitting sufficient numbers of houses can reduce the CEA’s need for, and therefore its cost of, risk-transfer, on a long-term basis.

CEA BB is modeled after the CRMP Earthquake Brace + Bolt program, now operating in 18 cities. CEA BB will offer grants to policyholders who:

- Have been insured with the CEA for at least three years;
- Own pre-1940 houses in the selected 10 ZIP Codes; and
- Own houses whose characteristics qualify for a brace-and-bolt retrofit.

The pilot program includes 10 ZIP codes—five each in Northern and Southern California.

Northern California

94501

94602

94611

94705

94707

Southern California

90027

90048

91030

91104

91108

Analysis:

CEA BB – Next Steps

CEA continues to work with its participating insurers to determine whether and to what extent they wish to be in initial outreach to policyholders invited to participate.

The following activities are also underway:

- Developing the CEA BB website
- Development of program rules
- Clarifying licensing of IP and process between CRMP and CEA.

CEA plans to roll out this pilot in the fall of 2016.

Recommendation:

CEA staff recommends that the Governing Board indicate continuing support of the CEA Brace + Bolt program and approve the presented draft of CEA BB Program Rules.

Rules for Participation in the CEA Brace + Bolt Program



Introduction

These Rules for Participation (“Rules”) govern participation in the **CEA Brace + Bolt (CEA BB)** program, a project of the California Earthquake Authority¹ for long-term CEA residential policyholders.

These Rules govern eligibility to and the operations of CEA BB and are binding on all applicants and qualifying policyholders who are eligible to participate in CEA BB as Participating Policyholders and Participating Contractors in CEA BB.

As a result of their participation in this program, policyholders who complete a CEA BB retrofit (including obtaining and providing verification of retrofit suitability) and who maintain a CEA earthquake insurance policy will qualify for CEA’s verified Hazard Reduction Discount and be eligible to receive a discount on their CEA earthquake insurance premium.

These Rules may be amended at any time by CEA, and the amended Rules become effective upon being posted on the CEA BB website (CEABraceBolt.com).

The definitions provided in these Rules apply to these Rules and to the CEA BB Program documents and on the CEA BB website.

Section 1 – Policyholders and the CEA BB Program

1.1 Official Source of CEA BB Program Information

The CEA BB program is described on its website, CEABraceBolt.com. Information about CEA BB may be available from other sources, but the website is the only official source of information about CEA BB.

1.2 ZIP Code Selection Process and Locations Where CEA BB Is Offered

CEABraceBolt.com lists the ZIP Codes in which CEA BB currently operates. Houses located in ZIP Codes that are not listed on CEABraceBolt.com are not eligible for CEA BB participation.

¹ A public instrumentality of the State of California.

1.2.1 The CEA BB ZIP Codes are selected from time to time using criteria approved by the CEA Governing Board. Establishing and selecting ZIP Codes for CEA BB programming, using those criteria, entails the CEA's identifying high-risk areas in which the CEA has a concentration of insured exposure of target houses, which are pre-1940 houses constructed on raised foundations (which are more likely to require seismically resistant bracing and bolting).

1.3 Incentive Payments

CEA BB offers an incentive payment of up to \$3,000 per house for seismic-retrofit work done in accordance with California Building Code, Appendix Chapter A3 ("Chapter A3"), on Qualifying Houses (see section 1.5) that are accepted for participation in CEA BB (see section 1.7), provided the Participating Policyholder sends CEA BB documentation as required by these Rules (see section 1.8).

The actual cost of qualifying seismic retrofit work may exceed the \$3,000 CEA BB incentive payment, but any expense related to or arising out of qualifying seismic retrofit work that exceeds the CEA BB incentive payment is the sole responsibility of the Participating Policyholder.

1.4 Qualifying Seismic Retrofit Work

Only performing seismic retrofit work in accordance with Chapter A3 qualifies the Participating Policyholder for the CEA BB program incentive payment.

Chapter A3 allows for a seismic retrofit to be done by a contractor or by an owner-builder, either using a standard plan set for Type 1 Qualifying Houses (see section 1.5 and 1.6) or using plans prepared by a registered design professional (engineer or architect) for Type 2 Qualifying Houses (see section 1). *(Note: The value of the labor provided by an owner-builder is not a recoverable cost under the CEA BB program and is not considered a reimbursable out-of-pocket expense.)*

In addition to the seismic retrofit, the house's water heater also must be properly strapped (California Health and Safety Code sections 19210–19217). In the event of an earthquake, strapping the water heater will reduce the likelihood of water and fire damage (note that incentives for water-heater strapping are only eligible under CEA BB when bracing and bolting are also being performed on the house).

1.5 Qualifying Houses

There are two types of Qualifying Houses. Each Qualifying House must be a detached, wood-frame residential building composed of one to four dwelling units.

1.5.1 Type 1 Qualifying House

The Type 1 Qualifying House has either a “stem wall” or a “cripple wall” foundation, where the cripple wall does not exceed 4 feet in height in any part of the crawl space. A stem wall is where the lowest floor framing is supported directly on the concrete or reinforced masonry foundation. A cripple wall is a wood-stud wall extending from the top of the foundation to the underside of the lowest-floor framing. In addition, the house must not:

- (a) have a lateral-force-resisting system that uses poles or columns embedded in the ground;
- (b) exceed three stories in height unless it is a three-story house with cripple wall studs that do not exceed 14 inches in height;
- (c) be constructed in whole or in part on concrete slab(s) on grade*; or
- (d) be classified by the local building department as a house required to be retrofitted with plans prepared by a registered design professional.

The local building department can approve that a Type 1 Qualifying House retrofit is in conformance with Chapter A3, or that department may authorize use of a standard plan set—specifically, the Los Angeles Standard Plan Number 1 or the ABAG (Association of Bay Area Governments) Plan Set A.

- * *The local building department may determine that a house can qualify as a Type 1 Qualifying House if a portion of the house is constructed on a concrete slab on grade and the retrofit work is limited to the remainder of the house.*

1.5.2 Type 2 Qualifying House (Plans Prepared by Registered Design Professional)

The Type 2 Qualifying House is required by Chapter A3 to be retrofitted with plans prepared by a registered design professional, who must stamp and sign the plans and certify in writing that the plans conform to Chapter A3.

The Type 2 Qualifying House has a cripple wall that exceeds 4 feet in height, or:

- (a) has a lateral-force-resisting system using poles or columns embedded in the ground;
- (b) exceeds three stories in height or is a three-story house with cripple wall studs exceeding 14 inches in height;
- (c) is constructed in whole or in part on concrete slab(s) on grade; or
- (d) is classified by the local building department as a house required to be retrofitted with plans prepared by a design professional.

1.6 Registering for CEA BB

The policyholder must—during the application period—register through CEABraceBolt.com or request and submit a paper application.

By answering the CEA BB qualification questions on CEABraceBolt.com, the policyholder can determine whether the house is a Qualifying House (see section 1.5). The person registering for CEA BB and answering the CEA BB qualification questions must be the CEA policyholder of the residence for which application is made.

If the house is a Qualifying House, the policyholder will be permitted to complete registration, add contact information, and authorize CEA BB to send text alerts when important email communications are sent.

If the house is not a Qualifying House, the policyholder is not eligible to receive a CEA BB incentive grant.

At the time the CEA BB-eligible ZIP Codes are selected, CEA BB also determines in its sole discretion the number of Participating Policyholder incentive payments it will award.

1.7 Acceptance as a CEA BB Participating Policyholder

Once policyholder registration is complete, qualified policyholders will be notified by email that they are eligible to participate in CEA BB.

Following that eligibility notification, Participating Policyholders must visit CEABraceBolt.com within 30 days of the notification date and complete their online registration. Each Participating Policyholder will have an online “Policyholder Dashboard” to upload all required project documentation and required photographs.

Participating Policyholders will also receive a Policyholder Packet by mail with detailed program instructions, including specific information to give to the contractor doing the work.

1.8 Required Documentation for Incentive Payment

Participating Policyholders are required to submit documents described in Sections 1.8.1 and 1.8.2 to CEA BB via the Policyholder Dashboard in order to be considered and qualify for the incentive payment.

- ✓ A Participating Policyholder may authorize his or her licensed contractor to submit retrofit documentation on behalf of that Participating Policyholder by following the instructions on the Policyholder Dashboard.

1.8.1 Before the retrofit work begins

Within 60 days of receiving the program-acceptance email from CEA BB, **the Participating Policyholder must do the following via their online Policyholder Dashboard:**

- (a) Indicate whether the project will be constructed by the Participating Policyholder as an owner-builder or by a licensed contractor (and identify to CEA BB the contractor).
- (b) Obtain a building permit from the local building inspection department (actual names of these departments vary by locale) and submit the permit details and upload a copy of the permit, including:
 - ✓ If the house is a Type 1 Qualifying House, the building permit **must** state that the work is to be performed in accordance with Chapter A3 or in accordance with a standard plan set.

- ✓ If the house is a Type 2 Qualifying House, the building permit **must** state that the work is to be performed in accordance with Chapter A3 using plans prepared by a design professional.
 - ✓ **The wording on building permits varies, but the criteria immediately above apply to every permit for every Qualifying House.**
- (c) Take and upload six photographs:
- ✓ Three in the basement or crawl space showing the cripple walls, if any, and the foundation.
 - ✓ Three of the exterior of the house (one showing the front and one side of the house, one showing only the front of the house, and one showing only the other side of the house)

1.8.2 After the retrofit work is complete

The seismic-retrofit work must be completed within six months after the building-permit-issuance date. And within 30 days after completion of the retrofit, the following items must be submitted to CEA BB via the online Policyholder Dashboard:

(a) Building Permit

- ✓ A copy of the building permit as signed by the building inspector after final inspection.

(b) Photos (six total):

- ✓ Three showing the completed retrofit work: in the crawl space from the same locations as the “before” photos and showing the cripple walls, if any; the foundation; and the completed retrofit work. Photos must clearly depict the completed retrofit work.
- ✓ Three of the water-heater strapping: Taken from the front and then each side at an angle, showing the strapping around the heater and the attachment to the wall.

(c) Invoices and Receipts for Retrofit-Related Expenses

- ✓ If a licensed contractor performed the work, provide the contractor's invoice for work performed (not the contractor's initial bid or proposal) must be submitted. Invoice must be broken out by labor, materials, and overhead and profit. The invoice also must state the contractor's name, license number, and business address.
- ✓ If the Participating Policyholder performed the work as an owner-builder, provide receipts for "House-Retrofit Expenses," which are out-of-pocket costs such as the building permit fee and the cost of materials and rented equipment used for the retrofit project. (*Note: The value of the labor provided by an owner-builder is not a recoverable cost under the CEA BB program and is not considered a reimbursable out-of-pocket expense.*)
- ✓ If the house is a Type 2 Qualifying House, the design professional's invoice (not the design professional's initial bid or proposal) and the contractor's invoice must be submitted.

(d) IRS Form W-9 and Payment Authorization Form

- ✓ The Participating Policyholder must complete, sign, and submit IRS Form W-9.
- ✓ The Payment Authorization Form, completed and signed by the Participating Policyholder, must request payment of (1) \$3,000 or (2) the Participating Policyholder's total, allowable House Retrofit Expenses, whichever is less. The form must state whether the incentive payment should be sent to the Participating Policyholder or to the Contractor.

1.8.3 Additional conditions regarding documentation

- (a) The Participating Policyholder must confirm that he or she has reviewed—and is fully responsible for the accuracy of—all the documentation submitted to CEA BB (including documentation submitted by a licensed contractor on behalf of the Participating Policyholder).

- (b) CEA BB will reject incomplete documentation and will use reasonable efforts to promptly advise the Participating Policyholder to complete and re-submit the required documentation.
- (c) Failure to submit complete, required documentation to CEA BB may render the Participating Policyholder ineligible for a CEA BB incentive payment.
- (d) The CEA Chief Mitigation Officer or CEA BB Managing Director, in their respective sole discretion, may waive any requirements or extend any time limits stated in Sections 1.7 or Subsections 1.8.1 or 1.8.2.

1.9 Eligibility for Hazard Reduction Discount on CEA Premium

Once the qualifying retrofit is complete, CEA BB will issue the Participating Policyholder a certificate verifying eligibility for a premium discount of 20 percent.

For more information about the Hazard Reduction Discount, please call 888.933.9876 or contact your home insurance company.

1.10 Retrofit Inspections

As a condition of payment approval or for quality assurance purposes, CEA BB reserves the right to inspect, upon reasonable notice to the Participating Policyholder, the seismic-retrofit work performed on any Qualifying House.

1.11 Payment and Tax Reporting

Incentive payments will be mailed within four weeks following final approval by CEA BB.

The incentive payment will be reported as taxable income to the Participating Policyholder on IRS Form 1099-G.

Participating Policyholders are responsible for the payment of any and all taxes related to or arising from the incentive payments made under CEA BB. Each Participating Policyholder is encouraged to seek appropriate professional advice

on the federal and state tax implications of their receiving the CEA BB incentive payment and whether the incentive payment will affect eligibility, income thresholds or limitations, or other issues relating to any health-care or other program of interest to the Participating Policyholder.

1.12 Program Communications

CEA BB communications will be delivered by email, with the exception of the Participating Policyholder packet, which will be sent by U.S. Postal Service mail. Participating Policyholders may also opt in to receive text alerts to important email communications.

CEA BB is not responsible or liable for any email communications that are missed, scrubbed, or filtered by anyone's computer system or email functions, or responsible or liable for any communications that are missed, lost, damaged, misdirected, or otherwise not delivered or received through use of U.S. Postal Service mail. CEA BB has no obligation to provide other forms of communication.

1.13 Personal Information, Privacy Policy, and Terms of Use

(a) The information that CEA BB collects, maintains, and uses includes, but is not necessarily limited to:

- ✓ personal information about policyholders, Participating Policyholders, contractors (and their employees and subcontractors), and design professionals;
- ✓ applications for building permits and building permits;
- ✓ documentation of costs and materials associated with the seismic-retrofit work;
- ✓ information, including identifying information, about houses belonging to policyholders and Participating Policyholders; and
- ✓ photographs of houses and of the seismic-retrofit work.

(b) Any policyholder who does not agree that the information described in Subsection 1.12(a) may be collected, maintained, and used for the purposes described in the Privacy Policy and Terms of Use referred to in Subsections

1.12(c) and 1.12(d) may not become or remain a CEA BB Participating Policyholder.

- (c) The Privacy Policy posted on CEABraceBolt.com to the information described in Subsection 1.12(a); that Privacy Policy is part of and is incorporated into these Rules by this reference. The Privacy Policy may be amended at any time, and any amendment becomes effective when posted on CEABraceBolt.com.
- (d) The Terms of Use posted on CEABraceBolt.com are binding on policyholders and Participating Policyholders, and their personal and legal representatives; and on contractors, Participating Contractors, and design professionals hired by Participating Policyholders. Those Terms of Use are part of and are incorporated into these Rules by this reference. The Terms of Use may be amended at any time, and any amendment becomes effective when posted on CEABraceBolt.com.

1.14 Contractors and Design Professionals

Contractors and design professionals hired by Participating Policyholders are not selected by, approved by, governed by, or in any way the responsibility of CEA BB. The Contractor Directory on CEABraceBolt.com, referred to in Section 2.1, is not an endorsement or approval of any Participating Contractor. CEA BB has no obligation to maintain, keep current, or monitor the Contractor Directory or monitor the licensing, financial condition, contracts, or competence of any Participating Contractor listed on the Contractor Directory or any other contractor or any design professional hired by a Participating Policyholder.

Section 2 – Participating Contractors

2.1 Contractor Directory

- 2.1.1 The “Contractor Directory” on the CEA BB website is a list of California-licensed contractors in good standing (at the time of listing) that have one or more employees, workers, or other associated personnel who have (a) successfully reviewed the six FEMA (Federal Emergency Management Agency) training videos for seismic retrofit work and (b) passed all related

quizzes associated with each such video. Those contractors who have done so are called “Participating Contractors”.

- ✓ ***CEA BB offers the Contractor Directory on its website as a convenience and a resource for Participating Policyholders—the listing in that Directory of a contractor who has become a Participating Contractor does not constitute CEA BB’s endorsement, approval, or recommendation of that Participating Contractor.***

2.1.2 To be included in the Contractor Directory, a licensed contractor must:

- (a) have one or more employees, workers, or other associated personnel who have successfully completed the FEMA training videos and quizzes offered on the CEA BB website;
- (b) register on the CEA BB website as a “Participating Contractor” and maintain an online CEA BB account via the CEA BB “Contractor Dashboard”;
- (c) affirm on the Contractor Dashboard that the contractor is a California-licensed contractor in good standing in a field reasonably related to residential-retrofit work on dwellings in California and have that standing accurately reflected on California’s [Contractors State License Board website](#);
- (d) agree to perform a retrofit in accordance with Chapter A3 or a standard plan set, as allowed by the local building department;
- (e) agree that CEA BB will not have any liability or responsibility for any work bid or performed by the contractor; and
- (f) affirm, by signifying on the Contractor Dashboard, that the contractor is not currently barred by the State of California or the federal government from bidding on, accepting, or performing any State of California or federal-government-funded public works contracts, either as a contractor or subcontractor.

2.1.3 To remain listed in the Contractor Directory, a Participating Contractor must:

- (a) comply with all applicable CEA BB rules and requirements;

- (b) perform all CEA BB retrofit work in accordance with Chapter A3 or a standard plan set, as allowed by the local building department, and ensure that an employee, worker, or other associated person who has taken and successfully completed the FEMA training videos and quizzes offered on the CEA BB website, oversees and approves all CEA BB retrofit work performed by the Participating Contractor;
- (c) provide Participating Policyholders with invoices that clearly and separately show charges for materials; taxes; labor; and overhead, profit, or margin;
- (d) ensure that each and every building permit for CEA BB retrofit work includes the required references to Chapter A3 or a standard plan set (for a Type 1 Qualifying House) or the required references to plans prepared by a registered design professional (for a Type 2 Qualifying House);
- (e) provide on the Contractor Dashboard, upon CEA BB request, evidence of (1) a current California contractor's license and (2) a current Contractor Bond or Bond of Qualifying Individual, or both, that meets the statutory requirement, and retain evidence of current workers' compensation insurance for all employees;
- (f) not be barred by the State of California or the federal government from bidding on, accepting, or performing any State of California or federal-government-funded public works contracts, either as a contractor or subcontractor; and
- (g) demonstrate a commitment to work within the local jurisdiction's building-construction permitting and inspection processes.
 - ✓ In its sole discretion, CEA BB may remove a Participating Contractor from the Contractor Directory in the event CEA BB determines, in its sole discretion, that the Participating Contractor has failed to meet all of these requirements.
 - ✓ In its sole discretion, CEA BB may remove a Participating Contractor who is using CEA BB's trademark or CEA BB's phrase "Brace + Bolt"—or any mark or phrase that is, in CEA BB's sole opinion and discretion, reasonably similar to CEA BB's registered marks—in any manner that implies that the Participating

Contractor is affiliated with CEA BB in any manner beyond its status as a Participating Contractor.

- ✓ CEA BB has no obligation to maintain, keep current, or monitor the licensing, financial condition, contracts, or competence of any Participating Contractor listed on the Contractor Directory or any other contractor hired by a Participating Policyholder.

2.2 Advertising

Participating Contractors are permitted to use language in their marketing and sales materials that describes their successful completion of the FEMA training videos and testing offered on CEABraceBolt.com. In no instance and under no circumstances may a Participating Contractor use language indicating “approval”, “endorsement”, “qualified”, or “referred” by CEA BB in marketing, sales, or promotional materials or communications.

2.3 Personal Information, Privacy Policy, and Terms of Use

- (a) The information that CEA BB collects, maintains, and uses includes, but is not necessarily limited to, information regarding:
- ✓ personal information about policyholders, Participating Policyholders, contractors (and their employees and subcontractors), and design professionals;
 - ✓ applications for building permits and building permits;
 - ✓ documentation of costs and materials associated with the seismic-retrofit work;
 - ✓ information, including identifying information, about houses belonging to policyholders and Participating Policyholders; and
 - ✓ photographs of houses and of the seismic-retrofit work.

- (b) The Privacy Policy posted on CEABraceBolt.com pertains to the information described in Subsection 2.3(a); that Privacy Policy is part of and is incorporated into these Rules by this reference. The Privacy Policy may be amended at any time, and any amendment becomes effective when posted on that CEA BB website.
- (c) The Terms of Use posted on the CEABraceBolt.com are binding on policyholders, Participating Policyholders, contractors, Participating Contractors, and design professionals hired by Participating Policyholders; those Terms of Use are part of and are incorporated into these Rules by this reference. The Terms of Use may be amended at any time, and any amendment becomes effective when posted on that CEA BB website.
- (d) Any Participating Contractor who does not agree that this information may be so collected, maintained, and used for the purposes described in the Privacy Policy and Terms of Use referred to below may not become or remain a Participating Contractor.

Section 3 – Dispute Resolution

By applying to participate or participating in CEA BB, policyholders and Participating Policyholders (and their respective personal and legal representatives) and Participating Contractors agree to resolve any dispute or controversy with, or claim against, CEA BB according to the Terms of Use posted on the CEA BB website.

3.1 Informal Procedure

In the event a controversy or claim arises out of the use of CEABraceBolt.com or participation in CEA BB, a policyholder, Participating Policyholder, or Participating Contractor may contact CEA BB and discuss the matter informally with the managing director or his or her designee. If the controversy or claim is not resolved through that discussion, any party who still feels aggrieved may send a letter to the managing director.

The managing director, or his or her designee, will meet in person or by telephone with the parties within 10 business days of receipt of the letter or such longer period as may be mutually acceptable.

The managing director will provide a written decision within 20 days of the conclusion of the meeting.

Policyholders, Participating Policyholders, and Participating Contractors are not required to follow this informal dispute-resolution procedure, and following this informal dispute resolution procedure does not prevent them from initiating the arbitration procedure described in section 3.2.

3.2 Mandatory Arbitration

By using the CEA BB website or by participating in any way in any CEA BB program, policyholders, Participating Policyholders, and Participating Contractors agree that any claim or controversy arising out of their use of the CEA BB website or participating in CEA BB—that is not settled or resolved by use of the Informal Procedure in Subsection 3.1—must be settled solely by arbitration administered by the American Arbitration Association in accordance with its [Home Construction Arbitration Rules](#), and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction.

In doing so, policyholders, Participating Policyholders, and Participating Contractors, and each of them, acknowledge that (1) each is giving up the right to sue in court, including the right to trial by jury, except as provided by the rules of the American Arbitration Association; (2) arbitration awards are generally final and binding, and the ability to have a court reverse or modify an arbitration award is limited; (3) the ability to obtain documents, witness statements, and other discovery is generally more limited in arbitration than in court proceedings; (4) the arbitrators do not have to explain the reasons for their award; and (5) the rules of the American Arbitration Association may impose time limits for bringing a claim in arbitration.

Section 4 – Contact Information

Please contact CEA BB if you have questions:

CEA Brace + Bolt
801 K Street
Sacramento, CA 95814
Toll free: XXX-XXX-XXXX

For general questions about CEA BB, email to:
info@CEABraceBolt.com

Or visit the CEA BB website at:
CEABraceBolt.com

DRAFT

Governing Board Memorandum

September 14, 2016

Agenda Item 13: Progress Report on the 2016 CEA IT Project Portfolio

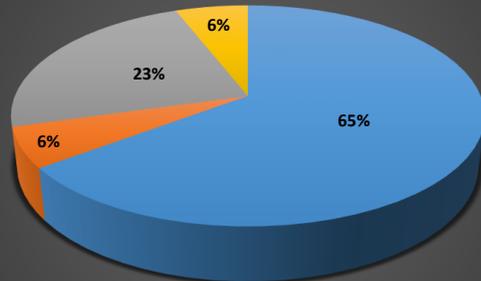
Recommended Action: No action required—information only

Chief Information Officer Todd Coombes will present an update on the 2016 CEA IT Project Portfolio, including progress, changes, and expenditures.

2016 Project Portfolio

September 2016

2016 IT Project Portfolio



■ Projects Active ■ Projects Not Started/On Hold ■ Projects Completed ■ Projects Cancelled

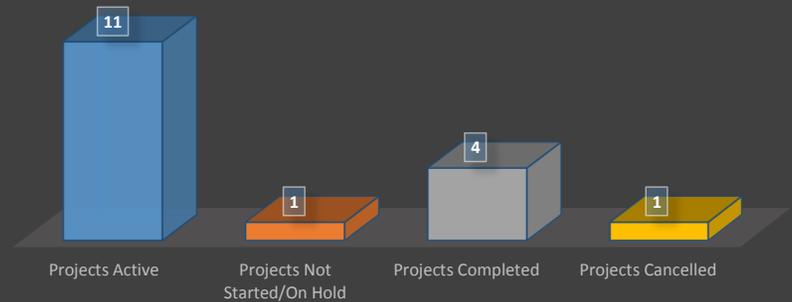
Total 2016 Project Portfolio

Project Count	17
Projects Active	11
Projects Not Started/On Hold	1
Projects Completed	4
Projects Cancelled	1

Active Projects:

CEA Mobile App	
Centralize Agent Training & Registration	
Combine Agent Databases Phase I	
CPP Insuresoft Implementation	
CPP Data Warehouse & Reporting	
CRM Phase III	
Operations Reports - Claims	
ECM Phase III	
Seismic Vulnerability Inspection Mobile App	
Single Zip Code Data Source	
Homeowner's End to End Mitigation Website	
Total Active Projects	11

2016 IT Project Status



Projects Not Started/On Hold:

Premium Write-offs After 1/1/09	
Total Projects Not Started/On Hold	1

Completed Projects:

Operations Reports - Business	
Migrate EQA & MVP the New Platform	
ECM Phase II	
CRM Phase II	
Total Completed Projects	4

Projects Cancelled:

Premium Write-offs Before 12/31/08	
Total Projects Cancelled	1

CEA Project Portfolio 2016 - Actual Schedules and Cost

September 2016

Portfolio Number	Description	2016												External Cost Budget (Statutory)	External Cost Budget (Non-Statutory)	Actual Total Cost To Date
		Q1			Q2			Q3			Q4					
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			
														\$0	\$1,309,000	
	Marketing Technology Support															\$49,992
2016-01	CEA Mobile App													\$0	\$40,000	\$0
2016-02	Centralize Agent Training & Registration													\$0	\$0	\$0
2016-03	Combine Agent Databases Phase I													\$0	\$0	\$0
2016-10	Migrate EQA & MVP the New Platform													\$0	\$0	\$0
	Claim Technology Support															\$90,206
2016-11	Operations Reports - Claims													\$0	\$200,000	\$0
2016-12	Operations Reports - Business													\$0	\$0	\$0
	Legal Technology - Direct Support															\$289,588
2016-08	ECM Phase II													\$0	\$300,000	\$0
2016-09	ECM Phase III													\$0	\$300,000	\$0
	Promote Earthquake-Loss Mitigation															\$90,608
2016-15	Seismic Vulnerability Inspection Mobile App													\$0	\$294,000	\$0
2016-16	Single Zip Code Data Source													\$0	\$0	\$0
2016-17	Homeowner's End to End Mitigation Website													\$0	\$175,000	\$0
	Other Projects															
2016-04	CPP Insuresoft Implementation													\$0	\$0	\$0
2016-05	CPP Data Warehouse & Reporting													\$0	\$0	\$0
2016-06	CRM Phase II													\$0	\$0	\$0
2016-07	CRM Phase III													\$0	\$0	\$0
2016-13	Premium Write-offs After 1/1/09													\$0	\$0	\$0
2016-14	Premium Write-offs Before 12/31/08													\$0	\$0	\$0
																\$520,394

\$1,309,000

\$520,394

 Completed	 Planned	 HOLD / Deferred	 Cancelled
 Active/Continued			

2016 Project Portfolio - Scorecard

September 2016

Portfolio #	Project Name	PM	Status	Target Start Date	Start Date	Project % Complete	Target End Date	End Date	Expense Category
2016-01	CEA Mobile App	Stephenie Dagata	Active	01/04/16	01/04/16	10%	12/30/16	12/30/16	Marketing
2016-02	Centralize Agent Training & Registration	Stephenie Dagata	Active	01/04/16	01/04/16	10%	12/30/16	12/30/16	Marketing
2016-03	Combine Agent Databases Phase I	Stephenie Dagata	Active	01/04/16	01/04/16	10%	12/30/16	12/30/16	Marketing
2016-04	CPP Insuresoft Implementation	Kelli Guerriero	Active	01/04/16	01/04/16	70%	07/14/16	12/30/16	IT
2016-05	CPP Data Warehouse & Reporting	Kelli Guerriero	Active	01/04/16	01/04/16	55%	12/30/16	12/01/16	IT
2016-06	CRM Phase II	Stephenie Dagata	Complete	04/01/16	04/01/16	100%	08/15/16	08/19/16	Marketing
2016-07	CRM Phase III	Stephenie Dagata	Active	08/16/16	08/16/16	5%	12/30/16	12/30/16	Legal
2016-08	ECM Phase II	Phil Pluckebaum	Complete	01/04/16	01/04/16	100%	06/30/16	06/30/16	Compliance
2016-09	ECM Phase III	Phil Pluckebaum	Active	07/01/16	07/01/16	10%	12/30/16	12/30/16	Compliance
2016-10	Migrate EQA & MVP the New Platform	Stephenie Dagata	Complete	01/04/16	01/04/16	100%	05/26/16	05/26/16	Marketing
2016-11	Operations Reports - Claims	Terri Kletzman	Complete	01/05/16	01/05/16	100%	12/30/16	08/04/16	Operations
2016-12	Operations Reports - Business	Terri Kletzman	Active	01/11/16	01/11/16	75%	12/26/16	12/26/16	Operations
2016-13	Premium Write-offs After 1/1/09	Terri Kletzman	On Hold	04/01/16	04/01/16	10%	12/30/16	12/30/16	Finance
2016-14	Premium Write-offs Before 12/31/08	Terri Kletzman	Cancelled	04/01/16	04/01/16	0%	12/30/16	12/30/16	Finance
2016-15	Seismic Vulnerability Inspection Mobile App	Terri Kletzman	Active	02/01/16	02/01/16	40%	12/21/16	12/21/16	Mitigation
2016-16	Single Zip Code Data Source	Patrick Hayes	Active	02/12/16	02/12/16	80%	12/30/16	12/30/16	Marketing
2016-17	Homeowner's End to End Mitigation Website	Terri Kletzman	Active	02/15/16	02/15/16	8%	12/30/16	12/30/16	Mitigation

2016 Project Portfolio - Risk Summary

September 2016

Portfolio #	Project Title	Risk Category	Risk Description	Risk Response (Strategy)
2016-04	CPP Insuresoft Implementation	Low	The interest in implementing Insuresoft is increasing with some of the larger PIs faster than anticipated.	Accept: CEA and Insuresoft are clearly communicating expectations to the PIs. Specifically, that there are limitations on how many PIs can be implemented each year.
2016-05	CPP Data Warehouse & Reporting	Medium	Data warehouse development is not as far along as initially planned for Q2. There is a concern that we will not have enough resources to complete the first phase of the project by end of Q4, 2016.	Mitigate: We are thoroughly communicating with Release and Development teams and management to ensure that all future deadlines are met. This will allow us to stay on track for 2016.
2016-08	ECM Phase II	Medium	Availability of SharePoint Resources	Mitigate: Project 2016-10 will move websites from SharePoint in an effort to free up SharePoint resources
2016-15	Seismic Vulnerability Inspection Mobile App	Medium	Challenge to design for maximum usability and user adoption	Mitigate: The key success factor to this project is that Inspectors use the software application. The project will aim to get feedback from users early on and leverage user experience designers.

2016 Project Portfolio - Change Summary

September 2016

Portfolio #	Project Name	Description of Change	Reason
2016-15/2016-17	Homeowner's End to End Mitigation Website/Seismic Vulnerability Inspection Mobile App	Reduce E2E budget for the year to \$175K and add \$125K to the SVIMA budget to cover overages	E2E will carry over to next year while SVIMA completes in December and needs additional funding

Governing Board Memorandum

September 14, 2016

Agenda Item 14: Centralized Policy Processing Update

Recommended Action: No action required—information only

Chief Information Officer Todd Coombes will present an update on the Centralized Policy Processing (CPP) initiative.

CEA Governing Board Memorandum

September 14, 2016

Agenda Item 16: Update on CEA Stakeholders Outreach Program

Recommended Action: No action required—information only

Background:

CEA has dramatically advanced its communications programming in recent years. Daily duties for CEA communications staff just five years ago in no way compare to the broader, more complex responsibilities those staffers have today—many statewide programs now underway at CEA simply did not exist five years ago.

This expanded CEA programming brings a need for greater sophistication in how we provide ongoing updates and ensure routine communications are professionally delivered.

Following a best-practice review, CEA is establishing a formal CEA Stakeholder Outreach Program—a comprehensive, coordinated, consistent outreach program designed to establish better mutual stakeholder communication to elucidate current CEA activities and future initiatives.

CEA Stakeholders:

In commencing this programming, CEA has identified as stakeholders:

- Governing Board members and their primary designees
 - State Treasurer John Chiang (designee Grant Boyken)
 - Insurance Commissioner Dave Jones (designee Chris Shultz)
 - Governor (designee Mark Ghilarducci, director, CalOES)
 - Chair of Senate Rule Committee Kevin de León (designee Dietrich Stroeh)
 - Speaker of the Assembly Anthony Rendon (designee George Wiley)
- CEA policyholders
- CEA participating insurers (“PIs”)
- PIs’ insurance agents/producers
- Reinsurance intermediaries and selected reinsurers
- Elected officials (state officials as well as selected federal and local officials)
- Community and consumer organizations
- Civic leaders
- Earthquake-related scientific, engineering, and recovery communities
- CEA staff
- Media

Stakeholders Outreach Program:

CEA's internal Stakeholders Outreach Committee will meet bimonthly to finalize the overall plan to improve both quality and frequency of our communication with stakeholders. The committee will develop content ideas for this ongoing communication, and CEA's Communications team will execute the ideas.

Within legal parameters, the Committee will incorporate the CEA Advisory Panel into its membership or activities.

Stakeholders outreach is expected to include the following tools and tactics:

- A monthly email to stakeholders describing what is happening at CEA.
- Revised CEA social media platforms that include the launch of CEA's Facebook page in Q4 2016.
- The launch of an annual CEA Symposium. The inaugural symposium will be held in San Diego in October 2016 and will focus on CEA IT initiatives.
- Semi-annual "Coffee with the CEA" sessions in Sacramento for the Sacramento-based PI representatives. The first session is scheduled for September 6, 2016.
- Ambassador Training for CEA employees, to be positive representatives of the company and deliver a consistent and clear message about the organization.
- Revised and more consistent distribution to stakeholders of CEA press releases and news clippings.
- An annual CEA report, to be launched with the 20th Anniversary Edition later this year.
- Statewide community outreach – speaking to community groups such as chambers of commerce and realtors.

Metrics:

The Committee will work to establish program metrics, such as number and frequency of interactions and feedback scores from stakeholders, evaluating both performance and perception of performance.

Although measuring stakeholder-engagement efforts is inherently subjective, these metrics can create a baseline to gauge future stakeholder-engagement activities.

The Committee will use database-management systems and interactive Web-based tools to manage and document stakeholder lists and interactions.

Topics:

Topics CEA will address with stakeholders will include:

1. Executive report
2. Take-up rates of CEA products

3. Seismic retrofits
4. Early and ongoing communications regarding such items as planned or potential rate and-form regulatory filings.
5. Claim-paying capacity updates; earthquake-event updates
6. Operations updates and opportunities
7. Advances in technology
8. Advertising and marketing innovations
9. Agent-training and Marketing Value Program (MVP) updates
10. Research results and pursuits
11. Community-outreach efforts

Next Steps:

CEA kicked-off some stakeholder updates in July 2016, with content and formats for different audiences. By December 2016, staff plans to have the outreach system in place.

Next steps will be to select the Stakeholders Outreach Committee, identify an internal team leader, and finalize metrics to establish performance baselines.

Recommendation:

No action required—information only.

Governing Board Memorandum

September 14, 2016

Agenda Item 17: Update on data collection and reporting that support the Metrics Project

Recommended Action: No action required—information only

Chief Executive Officer Glenn Pomeroy will update the Board on the established CEA Metrics Project.

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 8/23/2016 - Policies in Force on: 07/31/2016

TOTALS	Policies In Force	%Total	Exposure	%Total	Written Premium	% Total	Avg Written Premium
Homeowners	657,157	72.6 %	324,685,758,670	87.1 %	506,098,456	82.2 %	770
Homeowners Choice	52,392	5.8 %	31,100,019,710	8.3 %	51,415,678	8.4 %	981
All Homeowners Total	709,549	78.4 %	355,785,778,380	95.4 %	557,514,133	90.6 %	786
Manufactured Homes (Mobilehomes) - Homeowners	27,039	3.0 %	3,367,861,054	0.9 %	3,393,796	0.6 %	126
Manufactured Homes (Mobilehomes) - Homeowners Choice	1,381	0.2 %	236,222,629	0.1 %	266,986	0.0 %	193
All Manufactured Homes (Mobilehomes) - Homeowners Total	28,420	3.1 %	3,604,083,683	1.0 %	3,660,782	0.6 %	129
Condo	106,639	11.8 %	11,071,943,000	3.0 %	47,208,509	7.7 %	443
Renters	60,620	6.7 %	2,305,856,000	0.6 %	7,013,202	1.1 %	116
Grand Total	905,228	100.0 %	372,767,661,063	100.0 %	615,396,626	100.0 %	680

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 8/23/2016 - Policies in Force on: 07/31/2016

TOTALS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Homeowners - by Cov A Ded							
25% Total	1,231	0.1 %	690,433,710	0.2 %	803,500	0.1 %	653
20% Total	1,023	0.1 %	573,382,548	0.2 %	823,728	0.1 %	805
15% Total	559,437	61.8 %	274,216,102,545	73.6 %	432,210,463	70.2 %	773
10% Total	86,684	9.6 %	44,580,664,002	12.0 %	65,947,585	10.7 %	761
5% Total	8,782	1.0 %	4,625,175,865	1.2 %	6,313,180	1.0 %	719
Homeowners Total	657,157	72.6 %	324,685,758,670	87.1 %	506,098,456	82.2 %	770
Homeowners Choice - by Cov A Ded							
25% Total	822	0.1 %	497,797,089	0.1 %	671,422	0.1 %	817
20% Total	545	0.1 %	336,073,208	0.1 %	567,897	0.1 %	1,042
15% Total	27,948	3.1 %	17,106,827,646	4.6 %	29,302,606	4.8 %	1,048
10% Total	18,915	2.1 %	10,868,785,130	2.9 %	17,076,384	2.8 %	903
5% Total	4,162	0.5 %	2,290,536,637	0.6 %	3,797,368	0.6 %	912
Homeowners Choice Total	52,392	5.8 %	31,100,019,710	8.3 %	51,415,678	8.4 %	981
All Homeowners Total	709,549	78.4 %	355,785,778,380	95.4 %	557,514,133	90.6 %	786

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 8/23/2016 - Policies in Force on: 07/31/2016

TOTALS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Manufactured Homes (Mobilehomes) - Homeowners - by Cov A Ded							
25% Total	6	0.0 %	909,212	0.0 %	928	0.0 %	155
20% Total	3	0.0 %	458,796	0.0 %	356	0.0 %	119
15% Total	21,619	2.4 %	2,494,452,034	0.7 %	2,566,377	0.4 %	119
10% Total	4,994	0.6 %	806,799,241	0.2 %	751,034	0.1 %	150
5% Total	417	0.0 %	65,241,771	0.0 %	75,102	0.0 %	180
Manufactured Homes (Mobilehomes) - Homeowners Total	27,039	3.0 %	3,367,861,054	0.9 %	3,393,796	0.6 %	126
Manufactured Homes (Mobilehomes) - Homeowners Choice - by Cov A Ded							
25% Total	6	0.0 %	948,314	0.0 %	842	0.0 %	140
20% Total	0	N/A	0	0.0 %	0	0.0 %	N/A
15% Total	556	0.1 %	89,269,195	0.0 %	109,513	0.0 %	197
10% Total	615	0.1 %	110,330,654	0.0 %	116,137	0.0 %	189
5% Total	204	0.0 %	35,674,466	0.0 %	40,493	0.0 %	198
Manufactured Homes (Mobilehomes) - Homeowners Choice Total	1,381	0.2 %	236,222,629	0.1 %	266,986	0.0 %	193
All Manufactured Homes (Mobilehomes) - Homeowners Total	28,420	3.1 %	3,604,083,683	1.0 %	3,660,782	0.6 %	129

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 8/23/2016 - Policies in Force on: 07/31/2016

TOTALS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Condo - by Cov A Ded							
25% Total	335	0.0 %	48,656,500	0.0 %	178,822	0.0 %	534
20% Total	223	0.0 %	32,679,000	0.0 %	133,823	0.0 %	600
15% Total	77,926	8.6 %	9,084,370,000	2.4 %	36,968,687	6.0 %	474
10% Total	1,690	0.2 %	274,347,500	0.1 %	969,835	0.2 %	574
5% Total	2,850	0.3 %	434,742,000	0.1 %	1,560,147	0.3 %	547
No Cov A	23,615	2.6 %	1,197,148,000	0.3 %	7,397,194	1.2 %	313
Condo Total	106,639	11.8 %	11,071,943,000	3.0 %	47,208,509	7.7 %	443

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 8/23/2016 - Policies in Force on: 07/31/2016

TOTALS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Renters - by Cov C Ded							
\$750 Total	21,007	2.3 %	827,825,500	0.2 %	2,594,020	0.4 %	123
25% Total	432	0.0 %	6,785,500	0.0 %	18,706	0.0 %	43
20% Total	182	0.0 %	4,804,500	0.0 %	10,400	0.0 %	57
15% Total	8,652	1.0 %	218,359,000	0.1 %	519,202	0.1 %	60
10% Total	1,760	0.2 %	89,038,500	0.0 %	210,777	0.0 %	120
5% Total	28,587	3.2 %	1,159,043,000	0.3 %	3,660,097	0.6 %	128
Renters Total	60,620	6.7 %	2,305,856,000	0.6 %	7,013,202	1.1 %	116
Grand Total	905,228	100.0 %	372,767,661,063	100.0 %	615,396,626	100.0 %	680

California Earthquake Authority

Losses & Loss Adjustment Expenses (LAE) Paid - Cumulative to July 31, 2016

Event Code	Event Name	Date of Event	Magnitude	Location	# of Paid Claims	Losses Paid	LAE Paid	Total Paid Losses & LAE
98010	Chino	1/5/1998	4.3	3 mi. W of Chino	1	\$1,385.72	\$124.71	\$1,510.43
98050	San Juan Bautista	8/12/1998	5.3	7 mi. SSE of San Juan Bautista	1	161,204.93	13,643.13	\$174,848.06
98070	Redding	11/26/1998	5.2	3 mi. NNW of Redding	1	4,029.72	362.67	\$4,392.39
	1998 Minor Quakes				2	4,199.20	377.93	\$4,577.13
99050	Hector Mine	11/16/1999	7.0	28 mi. N of Joshua Tree (near Palm Springs)	25	137,361.81	12,362.47	\$149,724.28
	1999 Minor Quakes				1	4,037.26	363.35	\$4,400.61
00030	Napa	9/3/2000	5.2	17 mi. ESE of Santa Rosa; 6 mi. NNE of Sonoma; 3 mi. WSW of Yountville	15	278,130.07	25,031.71	\$303,161.78
01010	Ferndale	1/13/2001	5.4	53 mi. WNW of Ferndale	1	34,764.54	3,128.79	\$37,893.33
	2001 Minor Quakes				1	52,896.82	4,760.70	\$57,657.52
01040	West Hollywood	9/9/2001	4.2	West Hollywood	10	67,044.15	6,033.94	\$73,078.09
	2002 Minor Quakes				1	8,361.24	752.51	\$9,113.75
03090	San Simeon	12/22/2003	6.4	7 mi. NE of San Simeon	84	2,692,628.02	242,339.74	\$2,934,967.76
04120	Parkfield	9/28/2004	6.0	7 mi SSE of Parkfield	1	7,032.59	632.93	\$7,665.52
07240	Chatsworth	8/9/2007	4.5	4 mi NNW of Chatsworth	1	7,813.88	703.24	\$8,517.12
07250	Alum Rock	10/30/2007	5.6	5 mi NNE of Alum Rock	1	6,149.20	553.42	\$6,702.62
08280	Chino Hills	7/29/2008	5.4	5.5 mi SE of Diamond Bar	8	145,967.19	13,089.08	\$159,056.27
09320	Calexico	12/30/2009	5.9	22.7 mi SE of Calexico	1	275.88	24.83	\$300.71
	2009 Minor Quakes				2	8,627.67	776.49	\$9,404.16

California Earthquake Authority

Losses & Loss Adjustment Expenses (LAE) Paid - Cumulative to July 31, 2016 (continued)

Event Code	Event Name	Date of Event	Magnitude	Location	# of Paid Claims	Losses Paid	LAE Paid	Total Paid Losses & LAE
10330	Ferndale	1/9/2010	6.5	27 mi W of Ferndale	3	23,901.50	2,151.13	\$26,052.63
10360	Baja California Mexico	4/4/2010	7.2	16 mi SW from Guadalupe Victoria, Mexico	17	81,066.58	7,296.00	\$88,362.58
	2010 Minor Quakes				1	225,000.00	0.00	\$225,000.00
12410	Brawley	8/26/2012	5.3	4 mi North of Brawley, CA	2	23,833.24	2,145.00	\$25,978.24
	2012 Minor Quakes				3	146,471.18	13,182.41	\$159,653.59
13430	Greenville	5/23/2013	5.7	7 mi WNW of Greenville, CA	1	1,500.00	135.00	\$1,635.00
14460	Westwood	3/17/2014	4.4	6mi NNW of Westwood, CA	6	67,989.89	6,119.09	\$74,108.98
14470	La Habra	3/28/2014	5.1	1mi S of La Habra, CA	83	457,980.16	41,218.22	\$499,198.38
14480	American Canyon	8/24/2014	6.0	4mi NW of American Canyon, CA	194	3,383,755.65	304,538.00	\$3,688,293.65
	2014 Minor Quakes				3	18,709.35	1,548.84	\$20,258.19
	2015 Minor Quakes				2	5,877.69	529.00	\$6,406.69
Total					470	\$8,052,117.44	\$703,395.33	\$8,755,512.77